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LISTING STATEMENT NO. 2450.

LISTED MAY 7, 1970.
12,500,000 Common Shares of \$10.00 par value of which
11,905,495 Shares are issued and outstanding.
Stock Symbol "SYE".
Post Section 7.1.

SL

THE TORONTO STOCK EXCHANGE
LISTING STATEMENT

SKELLY OIL COMPANY

Incorporated under the laws of the State of Delaware,
United States of America, on August 20, 1919

CAPITALIZATION AS AT JANUARY 31, 1970
(all currency figures stated herein are expressed in U.S. dollars)

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
Common Stock (of \$10.00 par value per share)	15,000,000	11,905,495	12,500,000*
FUNDED DEBT			
of Company and consolidated subsidiaries			
Notes payable, due 1971 (6% to 8.5%)	\$29,071,000**	\$25,314,000	Nil
Industrial Revenue Bonds due 1971-1998 (3.8% to 5.5%)	\$45,000,000	\$43,935,000	Nil
Purchase Obligations	\$ 891,000**	\$ 449,000	Nil

*Includes 594,505 shares previously issued, but repurchased by the Company and now held in treasury.
**Amounts indicated as authorized represent the original principal amount of the obligation.

1. APPLICATION

SKELLY OIL COMPANY (the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 12,500,000 shares of its Common Stock of \$10.00 par value per share ("shares") all of which, including 594,505 shares held in the Company's treasury, have been issued and are fully paid and non-assessable, and of which 11,905,495 shares were outstanding on January 31, 1970. Of the 594,505 shares of Common Stock held in the Company's treasury, 20,050 shares are reserved for issuance pursuant to the provisions of the Company's restricted stock option plan.

2. REFERENCE TO ANNUAL REPORT

Reference is hereby made to the attached Annual Report to Shareholders of the Company for the fiscal year ended December 31, 1969, which is incorporated herein and made a part hereof, and referred to for additional information in connection with this application.

3. HISTORY

The Company was incorporated under the laws of the State of Delaware on August 20, 1919. On October 2, 1919, the Company acquired certain leases and other property from W. G. Skelly as well as the outstanding stock of Skelly-Sankey Oil Company, and began operations. During the subsequent forty-one years, the Company has acquired and either merged or liquidated numerous smaller companies, all related to its oil and gas operations. In 1961, the Company began a program of diversification by joining with Swift and Company in forming Hawkeye Chemical Company (50% owned) to construct a petrochemical plant at Clinton, Iowa, which plant commenced operations in 1963. During 1969, Skelly increased its ownership of Hawkeye Chemical Company to 100% by acquiring Swift's 50% interest. In 1965, the Company acquired a 50% interest in Chembond Corporation at Springfield, Oregon, and joined with American Can Company in forming Chemplex Company (a 50% owned joint venture) at Clinton, Iowa. In 1966, the Company increased

its ownership of Chembond Corporation to 100% by acquiring all the outstanding stock of Vanply, Inc. of Albany, Oregon. In 1967, Yong-Nam Chemical Company, Ltd. (25% owned), which was formed in 1965, began operations in the Republic of Korea. Another Korean venture, Tong Suh Petrochemical Company, Ltd. (50% owned), was formed in the latter part of 1969, as was Vanply Company of Liberia, a subsidiary of Vanply, Inc. (65% owned).

As of January 31, 1970, Mission Corporation owned 8,578,200 shares of the outstanding shares of the Company (approximately 72.05%) and Getty Oil Company ("Getty") owned 2,519,370 shares of the outstanding shares of Mission Corporation (approximately 73.55%) giving Getty a 52.99% indirect interest in the Company. The Company is associated with Getty in a number of projects.

4. NATURE OF BUSINESS
Exploration and Production

The Company produces crude oil principally in Alaska, the Rocky Mountain, Mid-Continent and Gulf Coast areas of the United States and the Provinces of Alberta and Saskatchewan in Canada. The following table shows the Company's net production of crude oil and lease condensate for the years 1965 through 1969:

Area	Thousands of Barrels				
	1965	1966	1967	1968	1969
Alaska	1	71	1,390	3,167	2,584
Arkansas	148	134	135	149	118
Colorado	213	158	145	141	144
Illinois	200	153	112	84	68
Indiana	8	6	6	4	2
Kansas	1,721	1,801	1,664	1,576	1,410
Louisiana	440	517	540	592	541
Mississippi	481	1,059	1,177	1,183	1,130
Montana	27	29	43	33	28
Nebraska	609	573	676	791	709
New Mexico	2,433	2,661	2,799	2,591	2,386
North Dakota	277	287	230	203	206
Ohio	6	5	3	2	1
Oklahoma	5,920	6,232	6,315	6,260	6,208
Texas	9,702	10,481	10,985	11,256	11,254
Utah	3	2	1	1	—
Wyoming	378	369	291	272	250
Total—U.S.	22,567	24,538	26,512	28,305	27,039
Alberta	759	739	751	931	1,312
Saskatchewan	272	267	244	225	182
Total—Canada	1,031	1,006	995	1,156	1,494
Grand Total	23,598	25,544	27,507	29,461	28,533

The preceding numbers do not include the production of natural gas liquids.

The Company estimates that approximately 76% of its crude oil production in 1969 was from wells subject to the proration laws, rules, and regulations of the several states.

Natural Gas Liquids Processed

The following table shows the Company's net natural gas liquids processed. This gas processing data relates to plants in which the Company has a proprietary interest and represents the plant production multiplied by the Company's plant ownership interest. These plants extract natural gas liquids from proprietary lease production and from gas which is committed to the plants under contracts of varying terms with other gas producers. The contracts with other gas producers typically allocate 25 to 30% of the liquids to the interest of the producers. The reported production has not been reduced for the portion allocable to the producer of the gas under the terms of the purchase contracts.

	Thousands of Barrels				
	1965	1966	1967	1968	1969
Kansas	228	215	215	216	204
Louisiana	74	167	307	384	363
Mississippi	—	114	210	275	308
New Mexico	2,780	2,696	2,915	3,435	3,392
Oklahoma	1,050	1,141	1,291	1,447	1,569
Texas	4,913	4,753	5,221	7,066	7,085
	9,045	9,086	10,159	12,823	12,921

The Company's net production of natural and casinghead gas for the years 1965 through 1969 is given below:

Millions of cubic feet				
1965	1966	1967	1968	1969
121,315	122,622	132,708	141,099	147,374

The above figures do not include residue gas accruing to the Company's interest in its natural gasoline plants.

Properties

The following tabulation shows the net acreage of the Company's producing and undeveloped oil and gas properties and the net number of oil and gas wells by states as of December 31, 1969:

State	Net Acreage		Net Number of Producing Wells	
	Producing	Prospective	Oil	Gas
Alabama	—	44,190	—	—
Alaska	7,022	14,983	11.93	—
Arizona	—	21,392	—	—
Arkansas	8,967	53,334	31.37	10.64
Colorado	12,856	17,142	34.04	17.21
Florida	—	5,330	—	—
Illinois	1,586	638	32.18	—
Indiana	112	39	.46	—
Kansas	82,817	10,321	453.65	110.91
Kentucky	1	3	—	—
Louisiana	26,885	23,051	16.43	50.36
Mississippi	5,663	38,229	24.15	6.54
Missouri	—	145	—	—
Montana	414	599	1.64	—
Nebraska	15,249	9,718	57.94	1.25
New Mexico	86,871	67,577	454.37	164.96
North Dakota	3,687	2,889	13.75	—
Ohio	85	94	—	—
Oklahoma	121,229	113,944	875.70	198.20
South Dakota	—	233	—	—
Texas	292,200	393,960	1,519.54	277.88
Utah	648	105	—	—
Wyoming	4,569	6,898	27.66	.89
U.S. Gulf—Offshore	9,556	31,776	—	4.00
Total—U.S.	680,417	856,590	3,554.81	842.84
Alberta	19,167	43,164	83.69	.04
British Columbia	690	9,912	—	1.00
Saskatchewan	1,553	640	11.56	—
Total—Canada	21,410	53,716	95.25	1.04
Grand Total	701,827	910,306	3,650.06	843.88

Reserves

The Company's net proved reserves recoverable from lease interests at January 1, 1970, were estimated by DeGolyer and MacNaughton, independent petroleum engineers, at 425,100,000 barrels of crude oil and condensate and 21,100,000 barrels of natural gas liquids for a total of 446,200,000 barrels, of which approximately 97% are classed as developed. Natural gas liquids reserves recoverable from lease interests represent the quantity of liquids allocable to the Company's lease interest in gas committed to processing plants, reduced for royalty, but without reduction for the portion of the liquids (typically 70 to 75%) attributable to the plant ownership interest. The Company's net proved reserves of natural gas were estimated by DeGolyer and MacNaughton at January 1, 1970, at 1,979,000,000 cubic feet of which approximately 99% are classified as developed.

The geographical location of these reserves is indicated by the following table:

	Net Reserves	
	Liquids Thousands of Barrels	Natural Gas Millions of Cubic Feet
Alaska	15,484	21,754
Canada	27,133	28,053
Gulf Coast	26,005	575,754
Mid-Continent	359,356	984,258
Rocky Mountain	12,129	164,183
Royalties	6,093	204,998
Total	446,200	1,979,000

The Company's interest in natural gas liquid reserves committed to gasoline plants in which the Company has an ownership interest has been estimated by DeGolyer & MacNaughton to be 126,800,000 barrels as of January 1, 1970. No reduction in the volume of such reserves has been made for the minor portion of such gas which originates from the Company's leases.

Supply and Transportation

The Company owns crude oil gathering systems in Kansas and Oklahoma totalling 2,084 miles at January 1, 1970, and a 49-mile refined products line from Conway, Kansas, to Great Bend, Kansas. In addition, its wholly-owned subsidiary, Skelly Pipe Line Company, owns a 50% interest in the Medicine Bow Pipe Line, a refined products pipeline extending 203 miles from Sinclair, Wyoming, to Denver, Colorado, a 33⅓% interest in the Arbuckle Pipe Line, a line carrying liquified petroleum gas ("LPG") products from southern Oklahoma

to the northern part of that state, a 100% interest in the Osage Pipe Line extending 137 miles from Cushing, Oklahoma, to El Dorado, Kansas, and a 100% interest in a refined products line and an LPG line extending 68 miles from El Dorado, Kansas, to Conway, Kansas. The Company also owns full or partial interests in several terminal facilities for LPG or refined products at various locations throughout its marketing area.

Manufacturing

The Company owns a crude oil refinery located at El Dorado, Kansas, which has a daily throughput capacity of 68,500 barrels of crude oil per stream day, together with a plant for compounding lubricating oils and an adjacent petrochemical complex. The following tabulation shows the Company's crude oil processed and refined products manufactured for the years 1965 through 1969:

					Thousands of Barrels				
					1965	1966	1967	1968	1969
Refinery input									
Crude oil processed	....	....	....	....	17,848	19,770	23,412	22,770	23,601
Natural gas liquids	....	....	....	....	3,591	3,316	3,551	3,108	3,971
Total	....	....	....	....	21,439	23,086	26,963	25,878	27,572
Refined products manufactured									
Gasoline	....	....	....	....	13,516	13,587	15,743	14,433	16,564
Intermediates	....	....	....	....	5,266	5,889	7,498	7,331	7,869
Heavy fuels	....	....	....	....	146	149	199	343	305
Lubricants	....	....	....	....	159	160	166	164	133
Other products	....	....	....	....	1,303	2,005	1,939	2,491	1,910
Total	....	....	....	....	20,390	21,790	25,545	24,762	26,781

At the end of 1969, the Company owned a 100% interest in 15 natural gas processing plants in Oklahoma, Texas, New Mexico, Louisiana, Mississippi, and Kansas. The Company also had a partial interest in 12 additional gas processing plants in Texas, Oklahoma, Louisiana, and New Mexico. The Company's share of production from these plants was 542.7 million gallons of natural gas liquids (propane, butane, isobutane, ethane and natural gasoline) during 1969.

Petrochemicals

The Company has interests in several petrochemical operations. At El Dorado, Kansas, adjacent to the refinery, the Company operates a petrochemical complex which produces phenol, acetone, benzene, cumene and aliphatic hydrocarbon solvent products. In addition, the Company owns a 100% interest in Hawkeye Chemical Company, which operates a chemical plant at Clinton, Iowa, with a capacity of 400 tons of ammonia fertilizers per day. The Company also owns a 25% interest in Yong-Nam Chemical Company, a fertilizer plant, a 50% interest in Tong Suh Petrochemical Corporation, Ltd., an acrylonitrile plant, both of which are located in the Republic of Korea; a 100% interest in Chembond Corporation, Springfield, Oregon, which produces and markets synthetic resins and adhesives for the wood products and paper industries; and a 50% interest in Chemplex Company, which has its principal facility at Clinton, Iowa, and manufactures materials for the plastics industry.

Marketing of Petroleum Products

Refined products are distributed by the Company and independent operators in twenty states in the mid-western United States, under the brand name "Skelly". The Company markets these products through approximately 400 bulk stations and 5,000 service stations, of which approximately 4,000 are jobber outlets.

The Company operates 122 retail outlets for the sale of LPG products, some of which also sell fertilizers. Such retail outlets are located in the mid-west where the Company's LPG products are also sold through an extensive dealer organization. To serve this marketing area, the Company operates 331 bulk and bottling plants. LPG products are marketed primarily under the brand name "Skelgas" and fertilizers under the brand name "Skelgro".

The following tabulation reflects sales of refined products by the Company for the years 1965 through 1969:

					Thousands of Barrels				
					1965	1966	1967	1968	1969
Gasoline	....	....	....	....	14,651	15,300	15,451	16,583	17,183
Intermediates	....	....	....	....	6,641	7,034	7,636	8,099	8,525
Heavy Fuels	....	....	....	....	890	837	731	897	934
Lubricants	....	....	....	....	166	167	167	171	161
Propane and other LPG	....	....	....	....	9,292	9,730	10,479	12,060	13,464
Chemicals	....	....	....	....	735	802	920	938	963
All other	....	....	....	....	621	657	651	863	894
Total	....	....	....	....	32,996	34,527	36,035	39,611	42,124

Uranium Operations

The Company owns a one-sixth interest in Petrotomics Company ("Petrotomics"), a partnership which is engaged in the mining and milling of uranium. Getty owns a one-third interest in Petrotomics, and Kerr-McGee Corporation ("Kerr-McGee") owns the remaining one-half interest. Petrotomics owns a uranium ore concentrating mill in the Shirley Basin of Wyoming. The mill has a capacity of 1,500 tons of ore per day, with 1,000 tons of the capacity being dedicated to processing ore from the Company, Getty and Kerr-McGee joint venture properties described herein. Kerr-McGee has first call on 500 tons of capacity for the processing of ore

from designated properties owned by Kerr-McGee. Deliveries of uranium under an Atomic Energy Commission contract were completed in July, 1966, and further mining operations are currently being conducted with a view to sale under commercial contracts.

The Company has a one-third interest and Getty a two-thirds interest in a joint venture which holds properties in the Shirley Basin, which contain uranium ore. Development plans for these properties are under study. Getty's engineers have estimated, based on drilling, that as of January 1, 1969, 5,600,000 tons of material containing an average grade of 0.29% of uranium oxide were in place on these properties. There is no mining in progress and no milling plant has been constructed. The extent to which this tonnage can be mined, and the grade of uranium oxide that can be recovered, depends upon factors influencing mining recovery and the ability of the owners to obtain sales of uranium compounds.

The Company also has a one-sixth interest in another uranium joint venture in which Getty has a one-third interest and Kerr-McGee a one-half interest. This joint venture holds properties in the Shirley Basin on which uranium mining operations are currently being conducted. Getty's engineers have estimated, based on drilling, that at January 1, 1969, 1,645,000 tons of material containing an average grade of 0.29% uranium oxide were in place on these properties. The extent to which this tonnage can be mined, and the grade of uranium oxide that can be recovered, depends on various factors influencing mining recovery, including the market for uranium oxide in "yellow cake".

The Company owns a 11.9% interest in Nuclear Fuel Services, Inc. ("NFS"), a company engaged principally in reprocessing spent nuclear fuel elements from utility power reactors. The Company is committed to purchase additional common stock of NFS pursuant to a subscription agreement as a result of which the Company would have a 16.7% interest in NFS. The Company also holds an NFS 7% Subordinated Convertible Debenture in the principal amount of \$6,000,000. Getty owns the balance of the outstanding stock of NFS.

Plywood Products

During 1966, Skelly Leasing Company, a wholly-owned subsidiary of the Company, acquired a 100% interest in Vanply, Inc., a marketer and manufacturer of plywood products. Vanply Inc. has two softwood mills and one veneer plant in Oregon, pre-finish plants in Washington, and North Carolina, and marketing outlets in Washington, North Carolina, Georgia, and Indiana. In addition, Vanply Inc. owns a 50% interest in a subsidiary which has two softwood plants in Louisiana and a 65% interest in Vanply of Liberia, Inc., which holds a 1.6 million acre concession on timberland in Liberia, West Africa, harvests timber, and later will manufacture veneer and plywood.

General

In addition to the properties mentioned above, the Company owns a 15-storey office building located in Tulsa, Oklahoma, which is fully occupied by the Company and its tenants, and owns other administrative and operating facilities in areas in which it does business.

Substantially all of the operating facilities used in production, refining and transportation functions of the Company are owned. However, such facilities, for the most part, are operated on properties which are held by the Company under leases. As is customary in the industry, such leases remain in effect during the productive life of the properties. About one-third of the Company's service stations are leased or are operated on leased land, and two-thirds of its bulk distribution plants are located on leased land.

No examination of titles to the Company's properties has been made for the purpose of this application, and the statements concerning ownership of properties are based on the records of the Company and its subsidiaries and are made without regard to questions of survey. While titles to particular properties may in certain instances be subject to defects or encumbrances, in some cases intentionally accepted, so far as is known to the Company no one of them is of material importance to the total enterprise.

5. INCORPORATION AND CHANGES IN CAPITALIZATION

The Company was incorporated under the laws of the State of Delaware, United States of America, on the 20th day of August, 1919, with an authorized capital stock of 1,500,000 shares of the par value of \$10.00 each.

By Certificate of Amendment filed April 28, 1921, the authorized capital stock was increased to 2,000,000 shares of the par value of \$10.00 each.

By Certificate of Reduction of Capital filed February 28, 1923, the authorized capital stock was reduced to 1,400,000 shares of the par value of \$25.00 each.

By Certificate of Amendment filed May 16, 1930, the authorized capital stock was increased to 1,520,000 shares of which 1,400,000 shares of the par value of \$25.00 each were to be common stock and 120,000 shares of the par value of \$100.00 each were to be preferred stock.

By Certificate of Amendment filed January 24, 1936, the authorized capital stock was reclassified by changing the authorized 1,400,000 shares of common stock of the par value of \$25.00 each into shares of common stock of the par value of \$15.00 each, without increasing or decreasing the number of shares.

By Certificate of Retirement of Preferred Stock filed December 12, 1938, the authorized capital was reduced to 1,518,000 shares of which 1,400,000 shares of the par value of \$15.00 each were to be common stock and 118,200 shares of the par value of \$100.00 each were to be preferred stock.

By Certificate of Retirement of Preferred Stock filed December 21, 1939, the authorized capital was reduced to 1,516,700 shares of which 1,400,000 shares of the par value of \$15.00 each were to be common stock and 116,700 shares of the par value of \$100.00 each were to be preferred stock.

By Certificate of Retirement of Preferred Stock filed July 2, 1945, the authorized capital was reduced to 1,400,000 shares of common stock of the par value of \$15.00 each upon retirement of 116,700 shares of preferred stock of the par value of \$100.00 each.

By Certificate of Reduction of Capital filed April 10, 1950, the authorized capital was increased to 3,000,000 shares of common stock of the par value of \$25.00 each.

By Certificate of Amendment filed October 24, 1952, the authorized capital was increased to 6,000,000 shares of common stock of the par value of \$25.00 each.

By Certificate of Amendment filed October 21, 1966, the authorized capital was increased to 15,000,000 shares of common stock of the par value of \$10.00 each.

6. SHARES ISSUED DURING PAST TEN YEARS

Year	No. of Shares Issued	Amount Realized Per Share	Total Amount Realized	Purpose of Issue
1966	7,500,000	—	—	2½ for 1 stock split

The above-mentioned stock split resulted in a total of 12,500,000 shares being issued and outstanding.

7. STOCK PROVISIONS AND VOTING POWERS

The total authorized capital stock of the Company presently consists of 15,000,000 shares of Common Stock, \$10.00 par value. Each holder of Common Stock is entitled to share rateably in such dividends as may be declared by the Board of Directors of the Company out of funds legally available therefor, is entitled to share rateably in all assets of the Company available for distribution to shareholders on liquidation, dissolution or winding up, and is entitled to one vote per share in the election of directors and on all other matters on which shareholders are entitled to vote; and no shareholder has any pre-emptive right to acquire additional shares of capital stock.

8. DIVIDEND RECORD

Dividends Paid 1960-69

Year		Date Paid	Amount Per Share	Total Amount
1960	1st Quarter*	March 4, 1960	18¢	\$ 2,585,749.50
	2nd Quarter*	June 3, 1960	18¢	2,585,749.50
	3rd Quarter*	September 7, 1960	18¢	2,574,499.50
	4th Quarter*	December 5, 1960	18¢	2,544,214.50
				\$10,290,213.00
1961	1st Quarter*	March 6, 1961	18¢	\$ 2,545,114.50
	2nd Quarter*	May 16, 1961	18¢	2,545,114.50
	3rd Quarter*	September 6, 1961	18¢	2,540,549.67
	4th Quarter*	December 5, 1961	18¢	2,490,439.50
				\$10,121,218.17
1962	1st Quarter*	March 6, 1962	18¢	\$ 2,487,515.00
	2nd Quarter*	June 5, 1962	18¢	2,440,140.00
	3rd Quarter*	September 5, 1962	18¢	2,405,941.00
	4th Quarter*	December 4, 1962	18¢	2,383,146.45
				\$ 9,716,742.45
1963	1st Quarter*	March 5, 1963	18¢	\$ 2,374,217.10
	2nd Quarter*	June 4, 1963	18¢	2,372,147.10
	3rd Quarter*	September 5, 1963	18¢	2,369,647.35
	4th Quarter*	December 3, 1963	18¢	2,222,927.10
				\$ 9,338,938.65
1964	1st Quarter*	March 3, 1964	20¢	\$ 2,465,719.00
	2nd Quarter*	June 2, 1964	20¢	2,466,219.00
	3rd Quarter*	September 1, 1964	20¢	2,461,219.00
	4th Quarter*	December 1, 1964	20¢	2,449,869.00
				\$ 9,843,026.00
1965	1st Quarter*	March 2, 1965	20¢	\$ 2,443,274.00
	2nd Quarter*	June 2, 1965	20¢	2,445,844.00
	3rd Quarter*	September 8, 1965	20¢	2,440,144.00
	4th Quarter*	December 7, 1965	20¢	2,439,894.00
				\$ 9,769,156.00

*Re-stated to give effect of 2½ for 1 stock split on October 17, 1966.



SKELLY OIL COMPANY • 1969 ANNUAL REPORT



Percentage owned by the Company: 100%
Nature of business: Chemicals

5. NUCLEAR FUEL SERVICES, INC.

A Maryland Corporation
Articles of Incorporation issued February 28, 1962
5,000 shares authorized
\$25.00 par value
1,306 shares issued
Percentage owned by the Company: 11.9%
Nature of business: Uranium reprocessing

On the cover

Drilling continues at the Coon Point Field, offshore Louisiana, which started producing large volumes of gas and condensate late in the year.

At right

A hot spot for Skelly in the past year was the sometimes-frigid Virgo-Zama area of northwestern Alberta, Canada.

"Tight Hole" means information about the well is strictly confidential.





1969 Annual Report

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financial supplement available

A supplement providing more detailed financial and operating data will be furnished upon request. Copies may be obtained from the Director of Public Relations, Skelly Oil Company, P. O. Box 1650, Tulsa, Oklahoma 74102.

annual stockholders meeting

The annual meeting of the stockholders will be held Tuesday, October 20, 1970, at the company's office in Tulsa, Oklahoma. Formal notice of the meeting and proxy statement will be sent to stockholders approximately one month before the annual meeting.

Highlights

Financial	1969	1968
Sales and Other Revenue.....	\$485,221,000	\$470,418,000
Net Income.....	38,371,000	40,269,000
Net Income per Share.....	3.21	3.34
Cash Flow.....	91,974,000	95,732,000
Capital Expenditures.....	68,133,000	94,043,000
Total Assets.....	647,926,000	635,789,000



Letter from the president

The year 1969 ended on an encouraging note for Skelly Oil Company, as operational improvements resulted in an excellent fourth quarter, with earnings for that period exceeding those of the similar quarter in 1968. This did much to offset a disappointing first nine months.

The company's 1969 net income was \$38.4 million, compared with \$40.3 million the previous year. The 1969 income was \$3.21 per share, 4 percent below the \$3.34 in 1968.

Sales and other revenue from all sources was \$485.2 million, 3 percent above the previous record of \$470.4 million, set in 1968. Net income from our oil and gas operations also reached an all-time high in 1969.

New records were posted in the production of natural gas and natural gas liquids, in refinery runs, and in the sale of petroleum products.

Of the important indicators of our corporate progress, only crude oil production was lower than in 1968, but it was still at the second highest rate in Skelly history. The downward trend was reversed in the final quarter of 1969, with crude oil production 3 percent higher than that of the comparable 1968 period. This growth is expected to continue throughout 1970.

Operating	1969	1968
Net Production (barrels per day)		
Crude Oil and Condensate.....	78,174	80,496
Natural Gas Liquids.....	10,600	9,347
Total	88,774	89,843
Net Natural Gas Produced (MCF per day).....	403,765	385,515
Refinery Input (barrels per day).....	75,540	70,704
Natural Gas Liquids Recovered from Gas Processing Plants (barrels per day).....	35,401	35,037
Petroleum Products Sold (barrels per day).....	115,407	108,227

The efforts of our employees in 1969 are to be commended, as considerable progress was made despite adverse conditions facing the company and the industry.

Important factors in the decline in net income included a 52-day refinery strike, operating difficulties associated with start-up at Chemplex Company's petrochemical plant that now appear to be solved, and lower capital gains and investment tax credit in 1969 than in 1968.

Lower prices for liquefied petroleum gas and wood products for the year as a whole also adversely affected 1969 earnings, compared with 1968's. However, LPG prices definitely firmed in the last quarter of the report year.

Capital expenditures for 1969 totaled \$68.1 million, compared with \$94.0 million in 1968. For 1970, we have programmed capital expenditures that will return our activity to approximately the 1968 level. About 70 percent of these planned expenditures will be for exploration and production, which will continue to represent the main thrust of this company.

Although we drilled slightly fewer wells in 1969, our success rate was excellent and the overall results of our exploration and production activities for the year were gratifying. A number of fine wells, particularly on the Gulf Coast and in Canada, were completed. Full effect of these wells in increased oil and gas production will not be felt until 1970.

Manufacturing and marketing results were generally better in 1969, despite the refinery strike and lower prices for LPG during much of the year. The substantial increases in refinery output and sales contributed to a brighter profit picture in the report period.

We are particularly pleased with the success of our new marketing program, which features five different blends of Skelly gasoline. This has been significant in our sales gains during the year.

Our diversification program continues to develop. An important new company initiated in 1969 is Tong Suh Petrochemical Corporation, Ltd., a Korean acrylonitrile firm in which Skelly owns a 50 percent interest.

Major developments in our wood-products business in 1969 involved two partially owned subsidiaries. Vanply of Liberia, Inc., was formed as a 65-percent Skelly owned company, and started logging on a 1.6-million-acre concession in the Republic of Liberia. Vancouver Plywood Co., Inc., a Louisiana company now 50 percent Skelly owned, launched a long-term expansion

and development program designed to improve profitability and raw materials utilization.

Legal actions to regain all or a substantial portion of our crude oil import quota are pending, and we expect decisions in these two cases in the near future.

Several important organizational changes occurred in 1969, as described on page 25. Two corporate officers retired during the year, and we express our appreciation for their many years of service. Claud L. Blacksher, vice president for production and a veteran of 40 years with Skelly, retired June 30. Hawley C. Kerr, who retired as an employee and general counsel in 1966 but continued as corporate secretary, completed his term on retainer December 31, after 33 years with the company.

In general, 1969 was a trying period for the entire petroleum industry. The tax legislation enacted at year end reduced the depletion rate for oil and gas. Potentially even more injurious to the future supply of oil and gas in this country is the proposed increase in the importation of foreign crude oil. Both of these measures are contrary to the long-range interests of the nation, which is highly dependent on oil and gas as sources of energy. Dependence on foreign oil would increase, with no assurance that this oil would remain either more available or cheaper than domestic supplies, and at the same time would adversely affect our already serious balance of payments problem.

These developments will affect Skelly, along with the rest of the industry. We estimate that the new tax measures will raise our federal income taxes for 1970 in the order of \$3 million, or about 25 cents per share, and additional income taxes will result from the repeal of the investment tax credit. There is no assurance that these higher taxes will be offset by price increases for our products.

Indications are that in 1970 the petroleum industry will continue to have its problems, and we must identify and direct our activities in accord with the national interest, as we have done in the past. Despite the difficulties facing the industry, we see 1970 as a promising year for Skelly from an operational standpoint, as the growth and improvement evidenced in the latter part of 1969 continue.



Ernest B. Miller, Jr.
President

February 6, 1970



Exploration, production program successful

A very successful drilling program, an upturn in the production of crude oil in the final period, and record natural gas production marked a successful year in exploration and production efforts.

In 1969 we took part in drilling 240 gross wells, or 56 net*. Of these net wells, 32 were oil producers, 10 were gas wells, and only 14 were dry holes. The previous year, we participated in 264 gross wells, or 74 net, of which 49 were productive and 25 were dry holes.

This improvement in drilling results is indicative of the quality of prospects being developed in our exploration program. Also it had a pronounced effect in reducing exploratory expense in 1969.

During the last quarter of 1969, crude oil production was 3 percent higher than in the corresponding quarter of 1968. A continued increase in the production rate is projected for 1970.

For the year as a whole, crude oil and natural gas liquids production averaged 88,774 net barrels per day, the second highest in company history, and only 1 percent lower than 1968's record 89,843 net barrels per day.

The decrease in oil production is attributable largely to normal decline of some of the older fields, plus an earlier-than-forecast decrease in pro-

The search for mineral reserves goes on under searing sun and in numbing cold. Sawdust on the rig floor helps drillers retain their footing as a snowstorm blots out the surrounding woods.

duction from Alaska's Cook Inlet, where pressure maintenance programs designed to stabilize and eventually increase production rates are underway.

Continuously increasing production in the Virgo-Zama area of northwestern Alberta, Canada, made the largest single contribution toward offsetting declines in production elsewhere. Our Canadian oil production at the end of 1969 was some 30 percent higher than it was a year earlier.

Skelly's interests, principally 33⅓ percent or 50 percent, in wells completed in the Virgo-Zama area during 1969 amounted to 8 net oil wells. Most of the Virgo-Zama wells are capable of producing 500 to 1,000 barrels of oil daily, from a depth of around 5,500 feet. Producing formations more than 200 feet thick frequently are encountered. Additional wells are being drilled.

Also making important contributions to our production totals are the 267 additional-recovery units in which we participate. Nine such units became effective in 1969, and work continued toward forming 45 more, 11 of which we will operate.

Natural Gas Production Rises

The record natural gas production averaged 404 million net cubic feet per day. This is an increase of 5 percent over the 386 million net cubic feet per day a year ago.

A continuation of this upward trend in gas production is projected, with the offshore Louisiana area playing a major role. The Block 6 Field in the Main Pass area, some 70 miles east of New Orleans, was producing 25 million net cubic feet of gas per day for Skelly at December 31. The Coon Point Field, about 75 miles southwest of New Orleans, was yielding 52 million net cubic feet of gas per day, along with 1,650 barrels of condensate. These rates were attained too late in the year to have significant impact on our production and earnings, but will appreciably affect 1970 performance.

Elsewhere on the Gulf Coast, the CSSG Group announced the completion of a discovery well and a confirmation test on its Brazos Block A-76. This 5,760-acre tract, in which Skelly owns a 25 percent interest, is in offshore Texas waters, 90 miles east of Corpus Christi. At year end, test

results were being studied and design work had been started on a drilling platform.

In the year covered by this report, Skelly operated important Alaskan geophysical surveys in Bristol Bay and the Bering Sea for groups of companies, and took part in similar projects in the Atlantic offshore, the Gulf of Mexico, and the Gulf of Alaska in the search for new reserves of oil and gas.

Key-Area Leases Acquired

Acquisition of new lease interests in 1969 was concentrated in key areas in our long-range exploration program.

In Canada, Skelly acquired interests in 14 tracts comprising 3,840 gross (2,000 net) acres in the Virgo-Zama area of Alberta, Canada. We also acquired a 50 percent interest in two tracts containing some 100,000 permit acres on the Mackenzie syncline of the Northwest Territories, Canada; and in the Eagle Basin, Yukon Territory, we obtained a 50 percent interest in 174,000 permit acres.

Offshore Louisiana, we leased 4,370 gross (1,093 net) acres in the Main Pass area and 5,000 gross (3,125 net) acres in West Cameron Block 144 at a federal drainage sale in December. During the year, we also acquired some 2,500 gross (625 net) acres in the South Marsh Island area, offshore Iberia Parish.

Our search for leases with high potential also resulted in the acquisition of some 28,000 gross (15,000 net) acres in West Texas' Delaware and Val Verde basins.

Other attractive leases were purchased in the promising Jurassic trend of Mississippi and Alabama. We now have a total of 65,000 net acres in this area, 35,000 of which were acquired in 1969. In Mississippi's Goodwater Field, Clarke County, we participated in the drilling of the discovery and 6 other wells, 5 of which were producers. Development drilling will continue in 1970.

As this report was being written, drilling was well under way on the first exploratory test on the offshore portion of a 15-million-acre concession in Mozambique, East Africa, in which Skelly owns a one-third interest. The well is being drilled from a floating platform scheduled to drill several others in the area in 1970. All offshore seismic work there has been finished, and geophysical evaluation of the onshore acreage is 75 percent complete. ◇

*The net figure used in reporting wells represents the sum of Skelly's interests, ranging from 100 percent to a small fraction, in a larger number of wells.

Full year's benefits felt from expanded transportation facilities

Significant among the accomplishments of our supply and transportation department was the completion of a seven-year project to expand and automate our Kansas and Oklahoma crude and products pipeline systems. Five product terminals were also added to the system during this period.

The volume of crude oil handled by our pipelines in 1969 totaled 37.3 million barrels — an increase of 500,000 barrels over the 1968 total of 36.8 million barrels, despite severely limited deliveries for seven weeks during the refinery strike.

In 1969, Skelly enjoyed the first full year of benefits from the products pipeline between the

El Dorado refinery and its terminal at Great Bend in western Kansas. Both the line and the terminal, constructed in 1968, handled volumes in excess of our most optimistic projections.

Also in its first full year of service was a pipeline built to move liquefied petroleum gas from the refinery to our underground storage at Conway, Kansas. As forecast, it increased our flexibility in transporting and storing LPG products, including feedstock requirements of the Chemplex plant at Clinton, Iowa.

Our 10 jointly or wholly owned product delivery terminals handled 209 million barrels of products in 1969, an increase of 39 percent over 1968. ◇

Towering structures at the El Dorado, Kansas, refinery were caught in this unusual pose by a "fish-eye" lens.

Refinery throughput hits all-time high

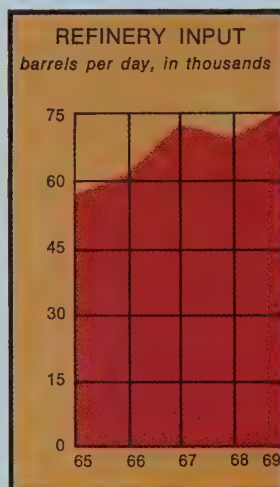
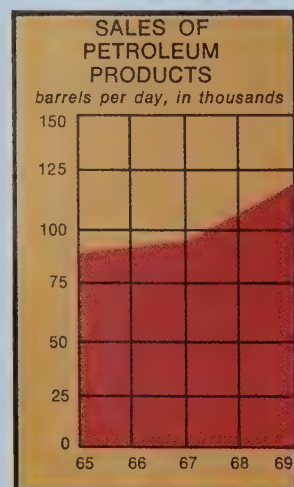
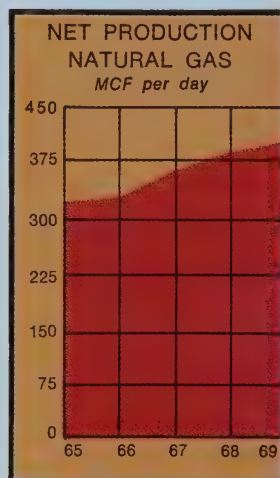
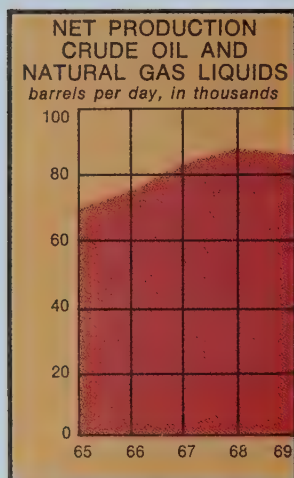
Average daily throughput at our El Dorado, Kansas, refinery was at a record rate of 75,540 barrels per day, some 7 percent higher than 1968's 70,704 barrels per day.

The 1969 throughput included an average of 64,660 barrels per day of crude oil and 10,880 barrels per day of natural gas liquids. Comparable figures for the preceding year were 62,213 barrels of crude oil and 8,491 barrels of natural gas liquids. Refinery production for the year averaged 75,419 barrels per day, compared with 1968's 69,810 barrels daily.

The new mark was achieved despite a 52-day strike in January and February that severely curtailed refining operations during that period and completely shut down our petrochemical and lube plants there. The shutdown of the petrochemical plant reduced the year's production of phenol and acetone.

Major capital projects completed at the refinery during the year included the revamping and modification of the catalytic cracking unit, replacement of the vapor recovery unit and the addition of a gas liquids unit that provides some of the ethane-propane mix for the Chemplex Company plant at Clinton, Iowa.

Production from our natural gasoline plants in



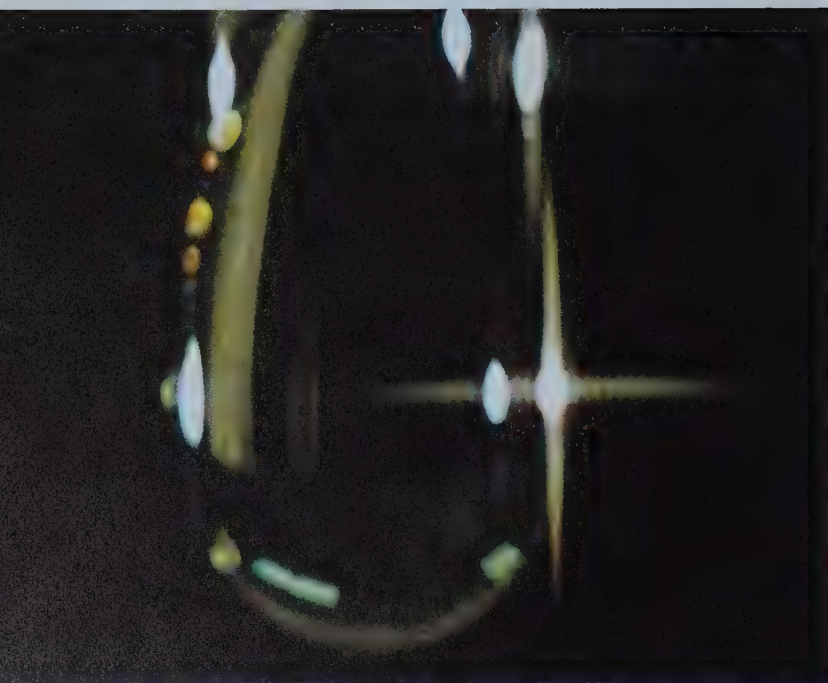


1969 established a new Skelly record of 543 million gallons. These plants processed 202 billion cubic feet of gas the past year, compared with 205 billion cubic feet the year before.

Skelly owns full interest in 15 gasoline plants and varying interests in 12 others, and operates a total of 16 of these plants.

During the year we sold our interest in, or ceased operation of, two small natural gasoline plants that no longer were economical. This did not materially affect the company's capabilities for gas processing or gas liquids production.

No substantial capital additions were made at any of the gasoline plants in the report period. ◇



This symbol of energy — the oil drop — opens our golden anniversary movie, "An Adventure Called Skelly."

Sales volume climbs to 1.8 billion gallons

For the eighth consecutive year, efforts of Skelly marketing department personnel have paid off in record product sales.

The 1969 sales volume for all products, including LPG, was 1.8 billion gallons, a 6 percent increase over 1968's record 1.7 billion gallons.

Total gasoline volume was 4 percent higher in 1969 than in 1968. In the same period, there was an increase of 9 percent in retail gasoline sales. This reflects expansion in direct marketing as well as higher average sales per station.

In comparison with 1968 figures, sales of our premium gasoline, Keotane, continued to increase and were up 10 percent in 1969.

Innovation Boosts Sales

Our gasoline sales were helped substantially by the introduction in 1969 of a new marketing program that features the use of blending pumps to dispense 5 grades of gasoline at 5 different prices.

These pumps have been installed at all major Skelly stations and have contributed to the higher sales volume at these outlets.

Increased refinery output and higher sales, to-

gether with a reduction in lower-margin business, helped improve our profits. However, this improvement was partially offset by the cost of the previously mentioned refinery strike. Prices of gasoline and other products were higher on the average than in 1968, as were most costs of refining and marketing. A labor cost increase, in line with the industry pattern, was granted early in the year.

Major Objectives Pursued

Our marketing objectives include continuing expansion in the important gasoline market represented by the interstate highway system and in major metropolitan areas. We increased to 210 the number of outlets on interstate highways, had 22 others under construction at December 31, and had 107 sites available for building.

In our service station construction program, work began on a prototype two-story truck stop, which will provide opportunity for added revenue at a lower unit cost than that afforded by a single-level structure.

As another part of this program, we are modernizing our older stations where the volume potentials justify the expense involved. A continuing program is followed to dispose of those stations that cannot be upgraded to meet our profitability standards.

In Skelgas (liquefied petroleum gas) marketing we are continuing to emphasize higher margin sales through our expanding retail branch operations. We now have 122 retail Skelgas outlets. These outlets sold 127 million gallons of product in 1969, an 8 percent increase over the 117 million gallons they sold a year ago.

Profitability was adversely affected by depressed prices of propane during most of 1969. In the last quarter there was a definite strengthening of prices, which has continued into 1970.

We also are increasing and expanding fertilizer sales through the Skelgas branches. With Skelly now owning 100 percent of Hawkeye Chemical Company, we are studying ways to coordinate the fertilizer marketing activities of our Skelgas branches and the Hawkeye marketing staff to provide a more effective and profitable overall fertilizer marketing program. ◇

At stations such as this one, where Skelly uses blending pumps to dispense five grades of gasoline at five prices, sales have increased significantly.



SAVE!
5 GRADES
5 PRICES

SKELLY

— **888** —
TOTAL SALE
— **0.00** —
GALLONS

Grade	Price	Grade	Price
888	28¢	888	28¢
888	28¢	888	28¢
888	28¢	888	28¢

New 4 grades with Keotane

Diversification efforts utilize oil-business know-how

Skelly's program of diversification is designed to utilize our know-how in the oil and gas business — to avail the company of opportunities to upgrade its raw materials. It continued in 1969 to follow a plan of operations oriented in natural resources.

Petrochemicals Expand

In October we entered into a 50-50 partnership with Chung Ju Fertilizer Corporation to build a \$20 million acrylonitrile plant at Ulsan, Korea.

The company formed to operate this venture is Tong Suh Petrochemical Corporation, Ltd. Our plant will go into production in 1971 and will be the first such operation in Korea. It will produce acrylic fiber intermediates for the domestic and export textile and garment industry of Korea.

The Tong Suh plant will be in the same locality as Yong-Nam Chemical Company, which manufactures mixed fertilizers, also at Ulsan. Skelly owns 25 percent of Yong-Nam, and received its first dividend, amounting to \$1.2 million, in 1969. Operations began in 1967.

Another petrochemicals company, Chembond Corporation, of Springfield, Oregon, continued to expand during the year, both in sales and earnings. This wholly owned subsidiary manufactures petroleum-derived adhesives and resins for the plywood, particle board and paper industries.

Skelly has a 50 percent interest in Chemplex Company, which has its principal facility at Clinton, Iowa, and manufactures materials for the plastics industry.

The first phase of the plant was completed in 1968 and the second phase, completed in 1969, increased capacity of both high- and low-density polyethylene. Production at Chemplex in recent months has been at expected levels, as there has been no recurrence of operating problems experienced earlier in 1969.

In July, Skelly bought Swift & Company's half interest in Hawkeye Chemical Company, thus achieving full ownership and the potential for improved performance at this Clinton, Iowa, center for manufacturing ammonia, nitrogen fertilizers, urea, and liquid carbon dioxide.

In common with the entire fertilizer industry, Hawkeye has suffered from price deterioration

over the past two years. However, operating efficiencies and projected price improvements for next season brighten the outlook for 1970 profitability.

New Wood Products Ventures

In our wood-products business, the incorporation in 1969 of Vanply of Liberia, Inc., was a significant development. This company is owned 65 percent by Vanply, Inc., our wholly owned subsidiary. Vanply of Liberia produces timber and later will manufacture plywood and veneer. The company holds concessions on approximately 1.6 million acres of timberland in Liberia, West Africa.

At year end, Vancouver Plywood Co., Inc., a Louisiana subsidiary, announced plans to reorganize for total forest utilization. The plans provide for the construction of two new sawmills and the upgrading of products. At the same time, the purchase of another sawmill, major timber acquisitions and long-term timber contracts were also announced.

Under the reorganization plans, Skelly's ownership in this company was reduced from 66⅔ percent to 50 percent, in consideration of additional contributions by other stockholders.

Because of high interest rates and tight money, housing starts have been curtailed. This has resulted in decreased demand and prices for wood products, and reduced Vanply's contributions to Skelly's profits in the last half of 1969.

The prospects for this segment of our business are excellent in the long run, as a predicted surge of housing construction will substantially increase wood-products sales.

Uranium Activities Progress

Skelly's numerous activities in uranium continued in 1969.

Petrotonics Company, in which we own a one-sixth interest, made its first sales of uranium for commercial use, and has received several inquiries about supplying future needs. Milling continues at the company facility in the Shirley Basin, Wyoming.

In a separate joint venture with Getty Oil Company, Skelly has a one-third interest in other

A giant Douglas fir sends up a spray of water as it is unloaded at a Vanply, Inc., veneer mill in Oregon. Such wood-products operations are a part of Skelly's diversification efforts aimed at development and up-grading of raw materials.



uranium ore reserves in the Shirley Basin. The scope and timing of possible mining and milling activity are being studied. Other parts of the western United States are still being explored.

An area of 80,000 acres in the Powder River Basin of Wyoming is being explored in another uranium venture with Getty Oil and Cleveland Cliffs Iron Company. Skelly owns a one-sixth interest in this operation.

In 1968, we purchased our initial interest in Nuclear Fuel Services, Inc., a nuclear fuel reprocessing and fabrication company.

This purchase was made as an acquisition with long-term growth potential, recognizing that immediate profits would not be realized.

On March 31, 1969, Skelly and Getty Oil Company purchased the remaining outside interest in NFS. Skelly now owns 11.9 percent of NFS and holds \$6 million of ten-year convertible debentures. Getty Oil holds the remaining ownership interest.

Sulfur Project Waits

Sulfur in significant quantities was found on the concession granted in 1967 to Skelly and Minerales Mexicanos Mayaqui by the Mexican government.

However, because of the current low price of sulfur, no decision has been made to proceed with extractive operations at this time. ◇

Programs emphasize value of good personnel

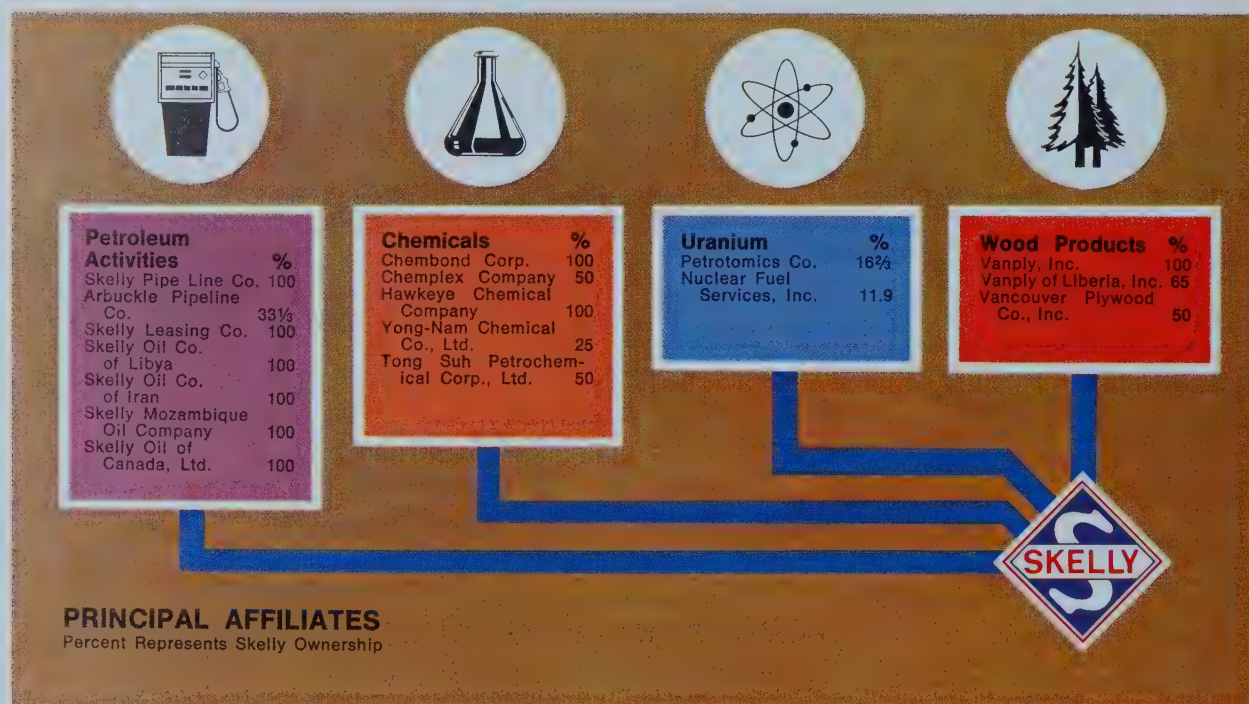
Skelly continues to emphasize its efforts to attract, retain and motivate loyal, dedicated people, and to provide them with the tools, organization and direction so that their efforts can be fully utilized to the mutual benefit of the company and the employee.

To this end, we continuously review our programs and achievements. As a result, in 1969 we improved the Skelly Savings and Investment Plan, which aids our people in retirement planning, and helps the company toward its personnel goals.

Studies of the wage and salary situation resulted in improvements in our salary structure, and in increased wages and salaries for many employees, thus keeping us competitive in the marketplace for capable people.

Emphasis on employee development continued, with the start of a new in-house management training course. Also some 80 technical, professional and scientific employees attended seminars and other special training sessions. Another 84 employees participated in our education assistance program, and others attended formal classes given by educational institutions and trade and professional associations.

During 1969, the first group of 10 Skelly scholarship winners, chosen from employees' chil-





Executive Vice President J. E. Hara, left, and President Ernest B. Miller, Jr., center, receive from F. G. McClintock, Tulsa Chamber of Commerce president, a certificate recognizing Skelly's civic contributions during the past 50 years.

dren, completed their college educations. This scholarship program has been of substantial help to Skelly families, and affords the company the opportunity of first choice at some outstanding talents useful in business, as well as broadening our exposure on college campuses.

One of the highlights of 1969 was a series of 38 golden anniversary dinners held for our employees and featuring the prize-winning movie entitled "An Adventure Called Skelly," which was prepared especially for the 50th anniversary observation. These dinners took members of the management team to all areas in which Skelly operates and provided them an excellent opportunity to meet the other employees throughout the company.

In the past year, increased impetus was given to the search for prospective employees with above average potential. We conducted hundreds of interviews at Skelly offices throughout our operating territory, and on college campuses in the midwest and southwest. Again this year, we participated in a number of high school and college seminars designed to aid in stimulating interest in petroleum industry careers.

Promotion of equal opportunities for employment continued, and Skelly took active part in programs to increase job opportunities for members of minority groups.

Coordination of organized safety activities throughout the company was implemented in November with the establishment of the post of corporate safety director. This step enables more effective utilization of techniques for reducing human suffering and loss of time and money as a result of accidents. ◇

Revenue reaches record level

Sales and other revenue for 1969 increased 3 percent to a record \$485.2 million, mainly due to higher sales of refined and chemical products.

Net income of \$38.4 million in 1969 was down, however, from the \$40.3 million recorded the year before. The 1968 net income included a gain of \$2.6 million on the sale of Diamond-Shamrock Corporation stock; in 1969 there was no comparable sale and gain.

The decline in 1969 net income reflected (1) operating problems at the Chemplex Company plant, (2) lower prices for LPG and wood products, (3) the partial shutdown of our El Dorado refinery during the 52-day strike early in the year, and the increased costs associated with the new labor contract, negotiated in line with the industry pattern, (4) reduced investment tax credit, accounted for by the flow-through method, and (5) an increase in interest expense because of higher interest rates.

Favorable factors partially offsetting the lower earnings were the following items: (1) reduced oil and gas exploration costs, primarily because of lower dry hole costs, (2) receipt of our first dividend from Yong-Nam Chemical Company in 1969, and (3) reduced Retirement Plan costs, as a result of an independent actuary's thorough review of the actuarial assumptions and funding of the Plan. The latter item is described further in footnote 3 to the Financial Statements, page 19.

While prices for crude oil and petroleum products (except LPG) were generally higher than in 1968, they were offset by increased labor and other costs.

Cash Flow More Than Adequate

The cash flow for 1969 totaled \$92.0 million, compared with \$95.7 million in 1968. Cash flow was more than adequate to provide for capital expenditures of \$68.1 million in 1969 as well as an increase of \$7.1 million in working capital. Long-term debt was reduced by \$5.8 million in 1969.

Of the total capital expenditures, \$38.1 million was spent for oil and gas exploration and production, \$13.3 million for manufacturing (including refining, gas processing, and chemical plants), \$12.3 million for petroleum marketing, and \$4.4 million for other purposes. The total of \$68.1 million, compared with \$94.0 million in 1968, reflects reduced expenditures for exploration and

production and for Chemplex Company's plant.

Dividends during 1969 remained at the rate of \$1.00 per share, and totaled \$12.0 million. Treasury stock purchases during 1969 totaled \$6.5 million, compared with \$4.1 million in 1968.

Several accounting policy changes were made in 1969, which had the net effect of increasing net income by about \$1.0 million. The computation of depreciation, depletion, and amortization of oil and gas properties was changed to a production-district basis instead of the individual-lease basis formerly used, which increased net income. Partially offsetting were the following changes, which reduced net income: (1) depreciation of Alaskan production and pipeline equipment was changed from the straight-line to the unit-of-production method; (2) the amounts of geophysical costs to be capitalized and expensed were determined currently on an estimated basis rather than being held in suspense until an actual determination could be made; and (3) uranium exploration costs were expensed currently, instead of being capitalized and amortized over subsequent periods, as previously was done.

Subsidiary Changes Made

Two major changes in subsidiary holdings were made during 1969. Skelly increased its share of Hawkeye Chemical Company from 50 percent to 100 percent by buying Swift & Company's interest; and reduced its ownership of Vancouver Plywood Co., Inc., (Louisiana) from 66⅔ percent to 50 percent, in connection with a restructuring of the latter company.

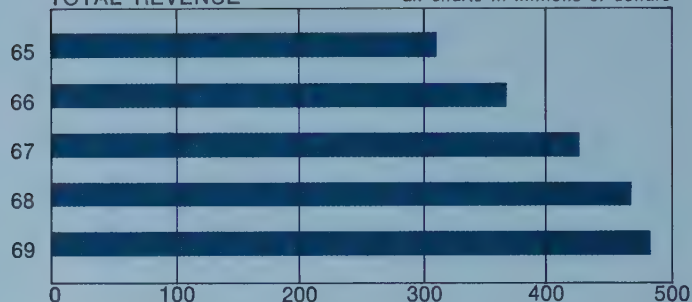
Consistent with its policy on consolidation, Skelly has consolidated the activities and accounts of Hawkeye Chemical Company from July 1, 1969, the date of acquisition of the additional interest. Effective December 31, 1969, Vancouver Plywood Co., Inc., is no longer consolidated and will be handled on the equity method of accounting. ◇

SALES AND OPERATING REVENUE
(Dollars in Millions)

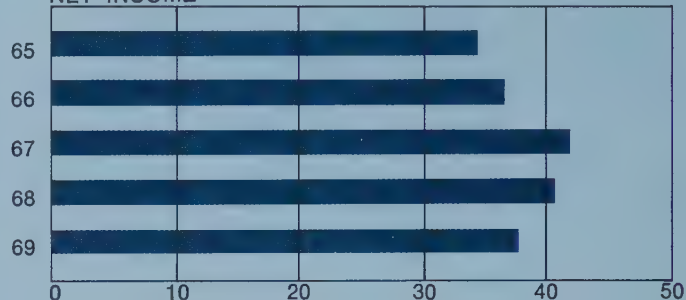
	1969		1968	
	Amount	Percent	Amount	Percent
Petroleum Operations —				
Crude Oil and Natural Gas.....	\$128.7	26.8	\$131.0	28.3
Petroleum Products.....	255.1	53.1	239.0	51.7
Tires, Batteries, Accessories and Services.....	9.6	2.0	8.7	1.9
	393.4	81.9	378.7	81.9
Wood Products.....	67.0	14.0	71.9	15.5
Chemical and Other Products.....	20.0	4.1	11.8	2.6
	<u>\$480.4</u>	<u>100.0</u>	<u>\$462.4</u>	<u>100.0</u>

TOTAL REVENUE

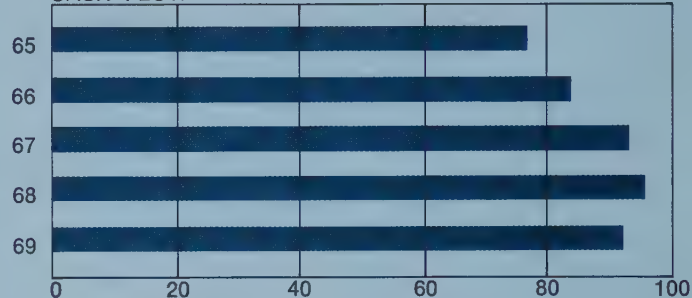
all charts in millions of dollars



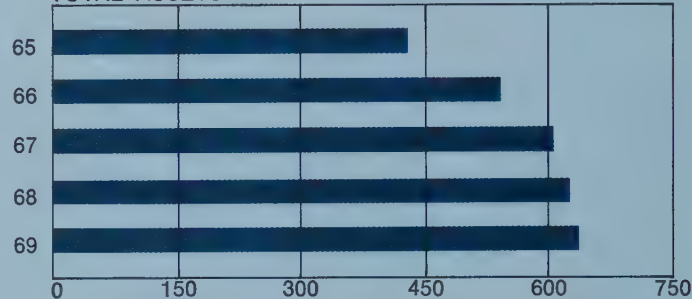
NET INCOME



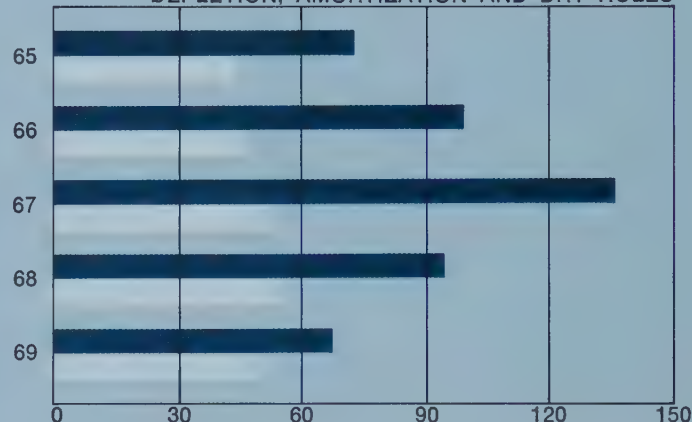
CASH FLOW



TOTAL ASSETS



■ CAPITAL EXPENDITURES □ DEPRECIATION, DEPLETION, AMORTIZATION AND DRY HOLES



Consolidated statement of income

FOR THE YEARS ENDED DECEMBER 31,

REVENUE:	1969	1968
Sales and operating revenue (including excise taxes).....	\$480,375,000	\$462,423,000
Dividends, interest, and other income.....	4,516,000	3,752,000
Gain on sale of assets.....	330,000	4,243,000
	<u>485,221,000</u>	<u>470,418,000</u>
 COSTS AND EXPENSES:		
Purchased crude oil, natural gas, and products.....	200,094,000	199,855,000
Operating expenses.....	72,762,000	66,193,000
Selling, general, and administrative expenses.....	49,880,000	47,472,000
Taxes, including income taxes (Note 4).....	60,265,000	53,404,000
Exploratory costs, including dry holes and lease rentals.....	6,775,000	9,024,000
Depletion, depreciation, and amortization.....	50,142,000	49,486,000
Interest expense.....	6,932,000	4,715,000
	<u>446,850,000</u>	<u>430,149,000</u>
 NET INCOME.....	<u>\$ 38,371,000</u>	<u>\$ 40,269,000</u>
 Net Income per share.....	<u>\$3.21</u>	<u>\$3.34</u>

Consolidated statement of earnings employed in the business

	1969	1968
Balance at beginning of year.....	\$365,864,000	\$337,664,000
Add — Net income for the year.....	38,371,000	40,269,000
	<u>404,235,000</u>	<u>377,933,000</u>
 Deduct — Cash dividends, \$1.00 per share.....	11,959,000	12,069,000
Balance at end of year.....	<u>\$392,276,000</u>	<u>\$365,864,000</u>

The notes on page 19 are an integral part of these statements.

Consolidated balance sheet

DECEMBER 31,

Assets

CURRENT ASSETS:	1969	1968
Cash.....	\$ 8,040,000	\$ 12,404,000
Marketable securities, at cost which approximates market.....	5,860,000	9,406,000
Notes and accounts receivable, less reserve.....	55,496,000	52,633,000
Inventories, at the lower of cost or market —		
Crude oil, refined, and other products (Principally last-in, first-out).....	38,497,000	32,689,000
Materials and supplies.....	8,862,000	8,565,000
Other current assets.....	2,914,000	3,781,000
Total current assets.....	119,669,000	119,478,000
INVESTMENTS AND LONG-TERM RECEIVABLES.....	35,721,000	29,207,000
PROPERTY, PLANT, AND EQUIPMENT, at cost:		
Exploration and production properties.....	632,058,000	613,089,000
Refinery, chemical, and gas processing plants.....	257,010,000	231,088,000
Petroleum marketing facilities.....	133,918,000	124,016,000
Transportation and other facilities.....	66,503,000	72,098,000
	1,089,489,000	1,040,291,000
Less — Reserves for depletion, depreciation, and amortization.....	596,953,000	554,387,000
	492,536,000	485,904,000
DEFERRED INCOME TAXES.....	—	1,200,000
	<u>\$647,926,000</u>	<u>\$635,789,000</u>

The notes on page 19 are an integral part of this statement.

Liabilities and stockholders' equity

CURRENT LIABILITIES:	1969	1968
Current portion of long-term debt.....	\$ 9,282,000	\$ 25,180,000
Notes payable.....	18,550,000	12,900,000
Accounts payable and accrued liabilities.....	45,336,000	42,266,000
Accrued taxes on income.....	1,254,000	950,000
Total current liabilities.....	74,422,000	81,296,000
LONG-TERM DEBT (excluding current portion):		
Notes payable, due 1971 (6% to 8.5%).....	17,300,000	16,800,000
Industrial revenue bonds due 1971-1998 (3.8% to 5.5%).....	42,857,000	43,965,000
Purchase obligations.....	375,000	5,517,000
Total long-term debt.....	60,532,000	66,282,000
DEFERRED INCOME.....	15,250,000	12,388,000
DEFERRED INCOME TAXES.....	1,998,000	—
STOCKHOLDERS' EQUITY (Note 2):		
Common stock, \$10 par value —		
Authorized 15,000,000 shares		
Issued 12,500,000 shares.....	125,000,000	125,000,000
Earnings employed in the business.....	392,276,000	365,864,000
	517,276,000	490,864,000
Less — Treasury stock at cost, 591,205 shares in		
1969; 471,230 shares in 1968.....	21,552,000	15,041,000
	495,724,000	475,823,000
	<u>\$647,926,000</u>	<u>\$635,789,000</u>

Consolidated statement of funds

SOURCE OF FUNDS:	1969	1968
Net income.....	\$ 38,371,000	\$ 40,269,000
Depletion, depreciation, and amortization.....	50,142,000	49,486,000
Dry hole costs.....	3,461,000	5,977,000
Cash flow.....	91,974,000	95,732,000
Dispositions of property, plant, and equipment.....	4,939,000	3,539,000
Increase (decrease) in deferred income.....	2,862,000	(6,060,000)
Decrease (increase) in investments and long-term receivables.....	(6,514,000)	10,734,000
Decrease in construction funds held by trustee.....	6,171,000	607,000
Net change in deferred income taxes.....	3,198,000	4,961,000
	<u>\$102,630,000</u>	<u>\$109,513,000</u>
DISPOSITION OF FUNDS:		
Capital expenditures including dry holes.....	68,133,000	94,043,000
Net property acquired through consolidation.....	3,212,000	—
Cash dividends paid.....	11,959,000	12,069,000
Decrease in long-term debt.....	5,750,000	1,403,000
Purchase of treasury stock.....	6,511,000	4,127,000
Increase (decrease) in working capital.....	7,065,000	(2,129,000)
	<u>\$102,630,000</u>	<u>\$109,513,000</u>

The notes on page 19 are an integral part of this statement.

Auditors' report

ARTHUR ANDERSEN & Co.

TULSA, OKLAHOMA

To the Stockholders and the Board of Directors of Skelly Oil Company:

We have examined the consolidated balance sheet of SKELLY OIL COMPANY (a Delaware Corporation) and SUBSIDIARIES as of December 31, 1969, and the related consolidated statements of income, earnings employed in the business, and funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income, earnings employed in the business, and funds present fairly the financial position of Skelly Oil Company and Subsidiaries as of December 31, 1969, and the results of their operations and the source and disposition of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

January 21, 1970

Notes TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (1) The consolidated financial statements include the accounts of all companies owned more than 50 percent, together with the company's 50 percent interest in the assets, liabilities, and operations of Chemplex Company, an unincorporated joint venture. Companies owned 50 percent or less are not consolidated and Skelly's investment therein is included in the Balance Sheet in "Investments and Long-Term Receivables". Skelly's equity in undistributed earnings of 50 percent owned companies is included in "Dividends, Interest, and Other Income".
- (2) Under the terms of the Restricted Stock Option Plan for Officers and Other Key Employees, options may be granted until October 18, 1970, for 20,000 shares at prices not less than their fair market value on the date the options are granted. During 1969 no options were granted, but options for 3,825 shares previously granted were exercised at prices ranging from \$22.80 to \$28.80 per share (an aggregate of \$102,960) and options for 1,000 shares expired. An option for 50 shares is exercisable at a price of \$24.00 per share and will expire in 1971.
- (3) The company has a retirement plan that is administered by an independent trustee and covers all regular employees of Skelly Oil Company. The company bears the entire cost of the plan and reserves the right to modify or discontinue the plan at any time. Both the normal cost and the past service cost are accrued ratably over the average future service lives of all employees. During 1969 an independent firm of actuaries made a valuation of the plan, in which revised actuarial assumptions were used. In addition, recognition was given to actuarial gains, which had not previously been considered. Upon recommendation of the actuarial firm, based on its

study, the 1969 provision for retirement plan costs was reduced by approximately \$2 million, or \$1 million after tax. Certain subsidiaries are covered under separate retirement plans. The combined costs of all retirement plans charged to income in 1969 and 1968 were \$1,112,000 and \$2,997,000, respectively.

- (4) Taxes, including income taxes, consist of the following:

	1969	1968
	(In Thousands)	
Federal and State Income Taxes		
Current income taxes	\$ 3,700	\$ 1,645
Deferred income taxes	2,604	5,049
Investment tax credit	(2,804)	(4,044)
Total income taxes	3,500	2,650
Excise taxes	42,821	37,629
Property taxes	6,156	5,609
Severance and production taxes	5,190	5,005
Payroll and other taxes	2,598	2,511
Total	\$60,265	\$53,404

- (5) The company has numerous leases for bulk and service stations, office space and other facilities, which generally cover periods in excess of three years. Minimum rentals payable under these leases are estimated to be \$4,000,000 for 1970. Annual rental income from all such properties subleased to others is estimated at \$3,000,000. The company is contingently liable for commitments and guarantees arising in the ordinary course of business, which will not, in the opinion of management, result in any material loss.

Accounting policies

Skelly Oil Company's accounting policies as described below are based on generally accepted accounting principles. In matters unique to the petroleum industry, Skelly's policies conform to the predominant practice of the industry.

Inventories

Inventories of crude oil and refined products are priced at the average cost of purchases or production, as appropriate. Cost is determined on the last-in first-out basis, which is lower than current replacement cost. Materials and supplies are stated at or below cost.

Intangible drilling costs

Intangible drilling costs applicable to successful wells are capitalized and amortized on the unit-of-production method as oil or gas is produced.

Exploratory costs

The cost of non-productive wells, the cost of geophysical work that does not result in the acquisition or retention of acreage, and the cost of lease rentals are charged to expense.

Leasehold costs

Undeveloped leasehold acquisition costs are capitalized and amortized based on estimates and prior experience. Costs of surrendered leases are charged to the amortization reserve.

Depreciation, depletion, and amortization

Depreciation, depletion, and amortization of the cost of producing properties (including depreciable investment, intangible drilling costs, and leasehold costs) are determined by production operating districts, on the unit rate of production method based on estimated

recoverable oil and gas reserves. Depreciation of other property, plant, and equipment is computed on each class of property at rates considered adequate to recover its cost, less estimated salvage, on a pro-rata basis over its estimated useful life.

Property retirements or disposal

On partial sales of a property unit, it is the general policy to charge or credit to the related reserve the difference between the cost of the property retired and the proceeds (less salvage costs) realized from disposal. In the case of the sale or retirement of a complete property unit, the difference between the net proceeds and the unrecovered book value of such unit is recognized as gain or loss.

Maintenance and repairs

Maintenance, repairs and replacements are generally charged to expense at the time the expenditures are incurred. Costs of renewals and betterments constituting improvements are capitalized.

Income taxes

Deferred income taxes are recognized for items which are recorded for tax purposes in different years than for financial purposes, with the exception of intangible drilling costs.

The investment tax credit is recorded on the flow-through method of accounting whereby it is applied as a reduction of current and deferred federal income tax expense in the year available for utilization.

Sales of future production

Revenue from the sale of future production (carved-out production payments) is deferred and taken into income as production occurs.

Ten year financial statistics

(Dollar Amounts in Thousands except per Share Amounts)

	1969	1968	1967
Sales and other revenue (including excise taxes).....	\$485,221	\$470,418	\$432,083
Net income.....	\$ 38,371	\$ 40,269	\$ 42,016
Net income per share**.....	\$ 3.21	\$ 3.34	\$ 3.48
Cash flow.....	\$ 91,974	\$ 95,732	\$ 93,802
Net working capital.....	\$ 45,247	\$ 38,182	\$ 40,311
Current ratio.....	1.61 to 1	1.47 to 1	1.59 to 1
Property, plant, and equipment — net.....	\$492,536	\$485,904	\$451,470
Capital expenditures			
Exploration and production properties.....	\$ 38,119	\$ 45,842	\$ 54,551
Refinery, chemical, and gas processing plants.....	\$ 13,260	\$ 30,413	\$ 59,337
Petroleum marketing facilities.....	\$ 12,329	\$ 12,220	\$ 10,594
Transportation and other facilities.....	\$ 4,425	\$ 5,568	\$ 9,816
Total.....	\$ 68,133	\$ 94,043	\$134,298
Total assets.....	\$647,926	\$635,789	\$605,821
Long-term debt.....	\$ 60,532	\$ 66,282	\$ 67,685
Number of stockholders.....	5,345	5,198	5,033
Shares outstanding.....	11,908,795	12,028,770	12,079,470
Stockholders' equity			
Amount.....	\$495,724	\$475,823	\$451,750
Per share**.....	\$ 41.63	\$ 39.56	\$ 37.40
Cash dividends			
Amount.....	\$ 11,959	\$ 12,069	\$ 12,076
Per share**.....	\$ 1.00	\$ 1.00	\$ 1.00

*Excludes extraordinary net income of \$16,241,222 or \$1.34 per share.

**Years prior to 1966 restated to reflect 2½ for 1 stock split.

1966	1965	1964	1963	1962	1961	1960
\$368,662	\$311,995	\$289,283	\$285,453	\$269,476	\$272,035	\$282,740
\$ 36,962*	\$ 33,996	\$ 25,702	\$ 25,000	\$ 21,595	\$ 23,850	\$ 24,415
\$ 3.04*	\$ 2.78	\$ 2.09	\$ 1.94	\$ 1.60	\$ 1.70	\$ 1.71
\$ 83,934	\$ 77,744	\$ 67,291	\$ 68,476	\$ 67,125	\$ 68,702	\$ 68,013
\$ 28,676	\$ 44,950	\$ 50,401	\$ 36,746	\$ 48,533	\$ 61,526	\$ 56,298
1.37 to 1	2.33 to 1	3.03 to 1	2.20 to 1	3.04 to 1	3.04 to 1	2.95 to 1
\$396,347	\$331,262	\$307,239	\$305,839	\$298,409	\$297,450	\$297,685
\$ 56,801	\$ 52,601	\$ 29,503	\$ 24,246	\$ 33,735	\$ 36,453	\$ 38,058
\$ 12,084	\$ 5,681	\$ 5,943	\$ 14,987	\$ 4,735	\$ 3,899	\$ 6,114
\$ 10,859	\$ 9,665	\$ 8,456	\$ 9,560	\$ 11,215	\$ 6,442	\$ 5,501
\$ 16,386	\$ 4,876	\$ 3,826	\$ 5,204	\$ 3,853	\$ 1,458	\$ 4,774
\$ 96,130	\$ 72,823	\$ 47,728	\$ 53,997	\$ 53,538	\$ 48,252	\$ 54,447
\$545,678	\$420,339	\$389,821	\$381,350	\$383,600	\$393,285	\$387,812
\$ 42,264	—	—	\$ 500	\$ 1,500	\$ 2,335	\$ 3,347
4,871	4,842	4,961	5,184	5,771	6,206	6,493
12,068,595	12,199,595	12,246,095	12,328,595	13,194,383	13,819,525	14,134,543
\$421,521	\$384,439	\$362,174	\$349,207	\$357,372	\$359,241	\$353,250
\$ 34.93	\$ 31.51	\$ 29.57	\$ 28.32	\$ 27.09	\$ 26.00	\$ 24.99
\$ 10,358	\$ 9,769	\$ 9,843	\$ 9,339	\$ 9,717	\$ 10,121	\$ 10,291
\$.85	\$.80	\$.80	\$.72	\$.72	\$.72	\$.72

Ten year operating statistics

	1969	1968	1967
EMPLOYEES			
Number of employees.....	6,271	6,032	5,858
Wages, salaries, benefits—thousands of dollars.....	\$58,723	\$56,200	\$48,557
EXPLORATION AND PRODUCTION			
Net daily production			
Crude oil and condensate — barrels.....	78,174	80,496	75,363
Natural gas liquids — barrels (Note 1).....	10,600	9,347	9,191
Total.....	88,774	89,843	84,554
Natural gas — MCF.....	403,765	385,515	363,584
Net proved reserves (Note 2)			
Crude oil and condensate — thousands of barrels.....	425,100	426,500	
Natural gas liquids — thousands of barrels (Note 1).....	21,100	25,600	
Total.....	446,200	452,100	
Natural gas — billion cubic feet.....	1,979	1,871	
Net producing wells owned.....	4,494	4,594	4,939
Net wells drilled			
Producing.....	42	49	74
Dry.....	14	25	37
Total.....	56	74	111
Net oil and gas acreage — in thousands			
Producing.....	702	709	715
Prospective.....	910	1,013	1,414
Total.....	1,612	1,722	2,129
MANUFACTURING			
Refinery input — barrels per day.....	75,540	70,704	73,873
Gas processing — net (Note 3)			
Natural gas liquids recovered — barrels daily.....	35,401	35,037	27,834
Natural gas liquid reserves recoverable from plant interests — thousands of barrels (Note 2).....	126,800	137,100	
MARKETING			
Sales of petroleum products — barrels per day.....	115,407	108,227	98,726
Petroleum tank stations, owned or leased.....	409	416	401
Service stations, owned or leased.....	1,133	1,128	1,100
Skelgas branch stores.....	122	119	109

NOTES:

(1) Natural gas liquids production volumes for the 10-year period have been revised to represent net quantity of liquids recovered from the Company's lease interest in wet gas delivered for processing. No reduction has been made in such quantities for the portion retained by gas processing plants for extraction of liquids. In 1969 the natural gas liquid reserves have been reported, and the 1968 reserves

restated, on the same basis.

(2) Reserves of crude oil and condensate, natural gas liquids, and natural gas are as estimated by DeGolyer and MacNaughton. Reserves data for years prior to 1968 are not available on a consistent basis.

(3) Gas processing data relate to plants in which the Company has a proprietary interest. Data given represents the plant production and natural gas

1966	1965	1964	1963	1962	1961	1960
5,417	4,239	4,198	4,236	4,343	4,471	4,727
\$41,754	\$34,254	\$33,490	\$33,950	\$33,134	\$33,077	\$32,891
69,982	64,653	63,789	62,952	62,566	64,046	63,196
8,427	8,268	8,325	8,601	8,577	8,331	7,778
78,409	72,921	72,114	71,553	71,143	72,377	70,974
335,951	332,370	326,088	313,588	300,547	302,126	310,037
5,064	5,104	5,163	5,160	5,110	5,300	5,335
109	125	100	92	87	119	215
37	43	36	36	57	47	53
146	168	136	128	144	166	268
707	701	658	643	639	623	613
1,928	2,141	2,376	2,928	4,081	4,464	4,936
2,635	2,842	3,034	3,571	4,720	5,087	5,549
63,249	58,735	56,422	57,029	56,923	57,074	54,272
24,892	24,781	23,302	23,235	23,099	23,464	22,203
94,595	90,400	85,932	82,893	82,677	82,337	82,522
407	414	417	421	419	411	408
1,092	1,097	1,080	1,064	991	947	913
107	103	95	83	65	51	49

liquid reserves committed to the plant multiplied by the Company plant ownership interest. These plants extract natural gas liquids from proprietary lease production and from gas which is committed to the plants under contracts of varying terms with other gas producers. The contracts with other gas producers typically allocate 25 to 30 percent of the liquids to the interest of the producers. Neither the

reported production nor the reserves have been reduced for the portion allocable to the producer of the gas under the terms of the purchase contracts. Only a minor portion of these reserves are recoverable from Company lease interests. The portion of net daily production and net proved reserves attributed to proprietary lease interest is also included in the exploration and production category above.



Directors

JAMES E. HARA
C. J. HEAD
KENNETH E. HILL
JACK D. JONES
CHARLES F. KRUG
ERNEST B. MILLER, JR.
C. D. SIGNORELLI
W. W. SIMPSON
HAROLD C. STUART

Officers

ERNEST B. MILLER, JR. — *President*
JAMES E. HARA — *Executive Vice President*
A. C. SAMUELSON — *Group Vice President*
W. W. SIMPSON — *Group Vice President*
P. J. VAANANEN — *Group Vice President*
HOWARD H. BELEW — *Vice President, Manufacturing*
L. L. BYARS — *Vice President, Natural Gas*
J. Y. HASLAM — *Vice President, Project Development*
W. H. NICHOLS — *Vice President, Supply & Transportation*
J. H. OUALLINE — *Vice President, Exploration and Production*
FRANK J. SODAY — *Vice President, Chemicals*
PAUL A. TANNER — *Vice President, Marketing*
DUANE A. BLAND — *Controller*
RICHARD J. DENT — *Secretary*
ROBERT ROLSTON — *Treasurer*

General offices

TULSA, OKLAHOMA

Stock transfer agent

THE CHASE MANHATTAN BANK, N. A., NEW YORK

Stock registrar

MANUFACTURERS HANOVER TRUST COMPANY,
NEW YORK

JAMES E. HARA
Executive Vice President



W. W. SIMPSON
Group Vice President



PAUL J. VAANANEN
Group Vice President



A. C. SAMUELSON
Group Vice President



Changes in corporate structure improve coordination, efficiency

In April, the corporate structure was reorganized to improve coordination and efficiency of operations. Related functions were grouped, and three experienced Skelly executives were elected to new group vice president positions. All report to Executive Vice President James E. Hara.

W. W. Simpson, 58, formerly vice president for exploration, was named group vice president for exploration and production, exploration — foreign and solid minerals, and natural gas.

Paul J. Vaananen, 55, who had been manager of employee and public relations, was given charge of the supply and transportation, manufacturing, marketing, and chemicals departments.

A. C. Samuelson, 50, former controller, was made responsible for the treasurer's, controller's, computer, economics, and purchasing and materials departments.

Judd H. Oualline, 49, previously exploration manager, was named vice president of exploration and production in July, as the exploration and production departments were combined to provide better coordination in this important area.

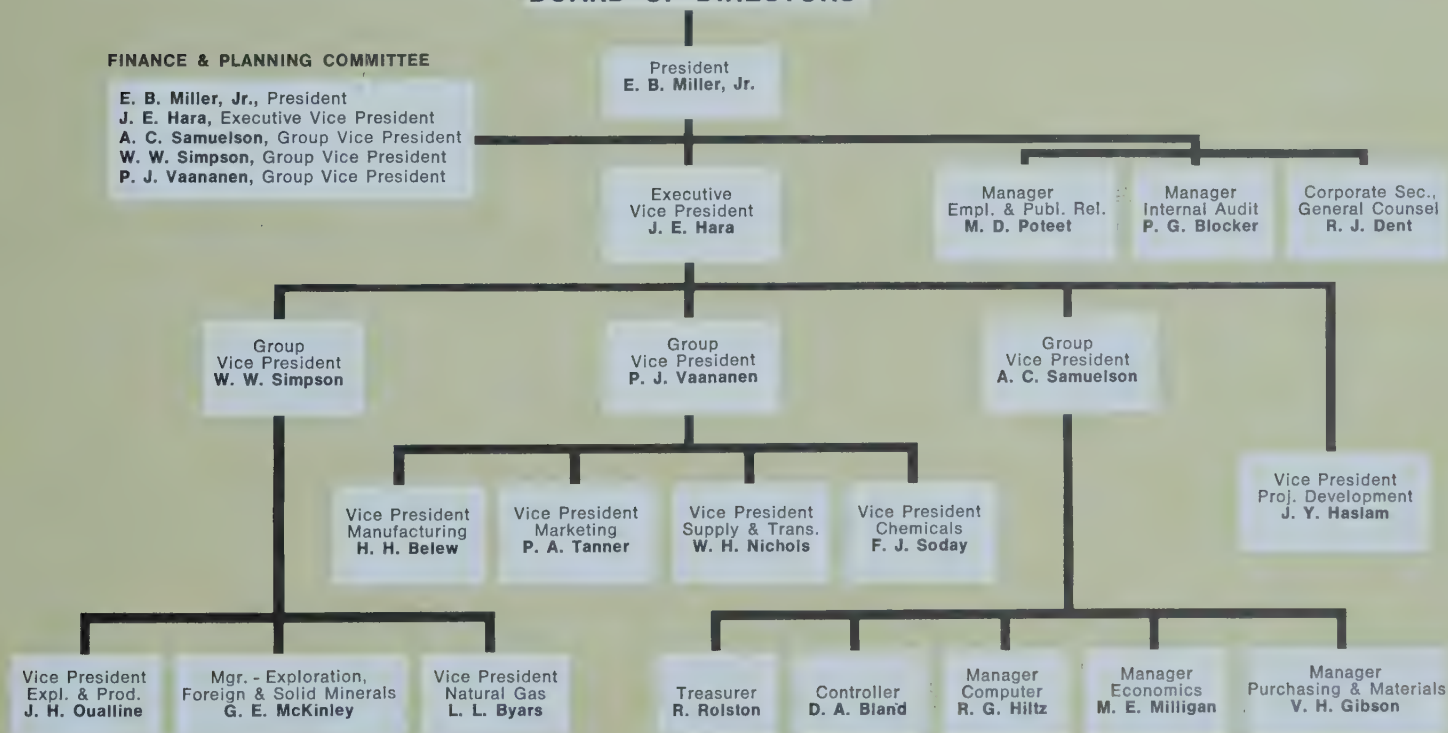
Also during the year, J. Y. Haslam, 57, vice president for engineering and construction, was elected vice president for project development.

Duane A. Bland, 37, formerly accounting manager, was elected controller.

Mark D. Poteet, 49, was named manager of the employee and public relations department. He had been director of employee development and public affairs.

Richard J. Dent, 47, was elected to succeed Hawley C. Kerr as corporate secretary effective January 1, 1970. Dent also is general counsel. ◇

BOARD OF DIRECTORS



					\$ 7,045,026.00
1965	1st Quarter*	March 2, 1965	20¢	\$ 2,443,274.00	
	2nd Quarter*	June 2, 1965	20¢	2,445,844.00	
	3rd Quarter*	September 8, 1965	20¢	2,440,144.00	
	4th Quarter*	December 7, 1965	20¢	2,439,894.00	
					<u>\$ 9,769,156.00</u>

*Re-stated to give effect of 2½ for 1 stock split on October 17, 1966.

Year		Date Paid	Amount Per Share	Total Amount
1966	1st Quarter*	March 1, 1966	20¢	\$ 2,439,919.00
	2nd Quarter*	June 7, 1966	20¢	2,468,651.46
	3rd Quarter*	September 7, 1966	20¢	2,433,294.00
	4th Quarter	December 14, 1966	25¢	3,016,692.50
				\$10,358,556.96
1967	1st Quarter	March 7, 1967	25¢	\$ 3,017,511.25
	2nd Quarter	June 6, 1967	25¢	3,018,761.25
	3rd Quarter	September 6, 1967	25¢	3,019,261.25
	4th Quarter	December 5, 1967	25¢	3,019,867.50
				\$12,075,401.25
1968	1st Quarter	March 5, 1968	25¢	\$ 3,021,467.50
	2nd Quarter	June 4, 1968	25¢	3,022,092.50
	3rd Quarter	September 4, 1968	25¢	3,022,292.50
	4th Quarter	December 3, 1968	25¢	3,003,942.50
				\$12,069,795.00
1969	1st Quarter	March 4, 1969	25¢	\$ 2,999,492.50
	2nd Quarter	June 3, 1969	25¢	2,992,555.00
	3rd Quarter	September 3, 1969	25¢	2,984,948.75
	4th Quarter	December 2, 1969	25¢	2,981,823.75
				\$11,958,820.00

*Re-stated to give effect of 2½ for 1 stock split on October 17, 1966.

9. SUBSIDIARY COMPANIES

1. ARBUCKLE PIPE LINE COMPANY

A Delaware Corporation
Articles of Incorporation issued June 30, 1965
10,000 shares common stock authorized
\$100 par value
5,025 shares issued
Percentage owned by the Company: 33.3%
Nature of business: LPG pipeline operation

2. CHEMBOND CORPORATION

An Oregon Corporation
Articles of Incorporation issued February 18, 1965
100 shares of Class A; 100 shares of Class B stock authorized
\$1,000 par value—Class A
\$1,000 par value—Class B
100 shares Class A issued
100 shares Class B issued
Percentage owned by the Company: 100%
Nature of business: Chemicals

3. CHEMBOND OF BRITISH COLUMBIA, LTD.

A British Columbia Corporation
Certificate of Incorporation issued December 23, 1963
100,000 shares authorized
No par value
1,000 shares issued
Percentage owned by the Company: 100%
Nature of business: Chemicals

4. HAWKEYE CHEMICAL COMPANY

An Iowa Corporation
Articles of Incorporation issued August 8, 1961
25,000 shares Class A; 25,000 shares Class B stock authorized
\$10.00 par value—Class A
\$10.00 par value—Class B
25,000 shares Class A issued
25,000 shares Class B issued
Percentage owned by the Company: 100%
Nature of business: Chemicals

5. NUCLEAR FUEL SERVICES, INC.

A Maryland Corporation
Articles of Incorporation issued February 28, 1962
5,000 shares authorized
\$25.00 par value
1,306 shares issued
Percentage owned by the Company: 11.9%
Nature of business: Uranium reprocessing

6. SKELLY INTERNATIONAL OIL COMPANY
 - A Delaware Corporation
 - Articles of Incorporation issued April 6, 1962
 - 10,000 shares authorized
 - \$100.00 par value
 - 10 shares issued
 - Percentage owned by the Company: 100%
 - Nature of business: Petroleum
7. SKELLY LEASING COMPANY
 - A Delaware Corporation
 - Articles of Incorporation issued February 17, 1966
 - 10,000 shares authorized
 - No par value
 - 5,000 shares issued
 - Percentage owned by the Company: 100%
 - Nature of business: Petroleum and Holding
8. SKELLY MOZAMBIQUE OIL COMPANY
 - A Delaware Corporation
 - Articles of Incorporation issued July 25, 1967
 - 1,000 shares authorized
 - \$100 par value
 - 1,000 shares issued
 - Percentage owned by the Company: 100%
 - Nature of business: Petroleum
9. SKELLY OIL COMPANY OF IRAN
 - A Delaware Corporation
 - Articles of Incorporation issued August 26, 1965
 - 100,000 shares authorized
 - \$1.00 par value
 - 100,000 shares issued
 - Percentage owned by the Company: 100%
 - Nature of business: Petroleum
10. SKELLY OIL COMPANY OF IRAN
 - A Liberia Corporation
 - Articles of Incorporation issued December 10, 1964
 - 100,000 shares authorized
 - \$1.00 par value
 - 100,000 shares issued
 - Percentage owned by the Company: 100%
 - Nature of business: Petroleum
11. SKELLY OIL COMPANY OF LYBIA
 - A Delaware Corporation
 - Articles of Incorporation issued August 22, 1960
 - 10,000 shares authorized
 - \$100 par value
 - 100 shares issued
 - Percentage owned by the Company: 100%
 - Nature of business: Petroleum
12. SKELLY OIL OF CANADA LTD.
 - A Dominion of Canada Corporation
 - Letters Patent issued December 11, 1969
 - 5,000,000 shares of common stock authorized
 - \$1.00 (Canadian) par value
 - 10,005 shares issued
 - Percentage owned by the Company: 100%
 - Nature of business: Petroleum
13. SKELLY PIPE LINE COMPANY
 - A Delaware Corporation
 - Articles of Incorporation issued June 20, 1963
 - 10,000 shares authorized
 - \$100 par value
 - 8,350 shares issued
 - Percentage owned by the Company: 100%
 - Nature of business: Petroleum
14. VANCOUVER PLYWOOD COMPANY, INC.
 - A Louisiana Corporation
 - Articles of Incorporation issued December 18, 1963
 - 5,000 common stock shares authorized
 - No par value
 - 2,800 shares issued
 - Percentage owned by the Company: 50%
 - Nature of business: Wood Processing

15. VANPLY, INC.

A Washington Corporation
Organized July 29, 1933—Re-stated April 16, 1964
450,000 shares authorized
\$10.00 par value
383,610.9385 shares issued
Percentage owned by the Company: 100%
Nature of business: Wood Processing

16. TONG SUH PETROCHEMICAL CORPORATION, LTD.

A Korea Corporation
Registered July 22, 1965
931,260 shares of Class A and 931,260 Class B Stock authorized
1,000 Won par value (Equivalent to \$3.30 U.S. Dollars)
931,260 Class A issued
931,260 Class B issued
Percentage owned by the Company: 50%
Nature of business: Chemicals

17. YONG-NAM CHEMICAL COMPANY, LTD.

A Korea Corporation
Registered August 31, 1965
3,000,000 shares of common stock authorized
3,000,000 shares of preferred stock authorized
2,702,626 shares of common stock issued
2,702,626 shares of preferred stock issued
No par value
Percentage owned by the Company: 25%
Nature of business: Chemicals

18. VANPLY OF LIBERIA, INC.

A Liberia Corporation
Certificate of Incorporation issued July 1, 1969
50,000 shares authorized
32,500 shares issued
No par value
Percentage owned by the Company: 65%
Nature of business: Wood Processing

10. FUNDED DEBT AS OF JANUARY 31, 1970
AMOUNT ISSUED AND NOT RETIRED OR CANCELLED
(Thousands of Dollars)

	Amount Authorized by Loan Agreement	Payable Within One Year Reflected as a Current Liability	Payable After One Year Reflected as Long-Term Debt	Total
Company and consolidated subsidiaries				
Industrial revenue bonds, 3.8 to 5.5%, due 1971 to 1998	\$45,000	\$ 1,078	\$42,857	\$43,935
Notes payable, 6 to 8.5% due 1970 to 1971	29,071	12,014	13,300	25,314
Other	891	90	359	449
Total	<u>\$74,962</u>	<u>\$13,182</u>	<u>\$56,516</u>	<u>\$69,698</u>

11. RESTRICTED STOCK OPTION PLAN

The Company's Restricted Stock Option Plan ("Plan"), approved by its Board of Directors and stockholders, became effective November 1, 1960. The Plan, as amended, authorizes the granting to officers and key employees (including officers who are also directors) of the Company or any of its subsidiaries of options to purchase a maximum of 140,000 shares of the Company (subject to adjustment in certain circumstances) of which options for a total of 120,000 shares had been granted at October 7, 1968. Options may be granted until October 18, 1970, for 20,000 shares. The Plan was amended by the Board of Directors on October 20, 1964, so that all options issued subsequent to December 31, 1963, would meet the conditions and limitations necessary to make such options "qualified stock options" within the meaning of Section 422 of the United States Internal Revenue Code of 1954, as amended ("Code"). The options granted prior to December 31, 1963, under the Plan are designed to be "restricted stock options" as defined in Section 421 of the Code. The options granted subsequent to December 31, 1963, under the Plan are designed to be "qualified stock options" as defined in Section 422 of the Code. The Plan provides that the price payable for shares purchased under each option shall be the greater of the fair market value at the time of grant and the par value per share.

Options granted may be exercised in whole or in part from time to time during the term of the option. No option may be exercised as to any shares, however, until the holder shall have completed two years of continuous service in the employ of the Company or a subsidiary from the date of the granting of the option, unless such employment shall have been terminated by the death of the holder or at the instance of the Company or a subsidiary. In the case of a "restricted stock option", each optionee must agree in writing to remain in the employ

of the Company or a subsidiary for a period of at least two years from the date of grant of the option and not to sell or dispose of shares purchased pursuant to the option within six months after the purchase of such shares or within two years after the date of the grant of the option. In the case of a "qualified stock option", each optionee must agree in writing to remain in the employ of the Company or a subsidiary for a period of at least two years from the date of grant of the option and not to sell or dispose of shares purchased pursuant to the option within three years after the purchase of such shares. Each option expires not later than ten years after the date of grant in the case of "restricted stock option" and not later than five years after the date of grant in the case of a "qualified stock option".

No option is transferable otherwise than by will or by the laws of descent and distribution, and each option is exercisable during the holder's lifetime only by the holder. No option is exercisable during the lifetime of the holder thereof more than three months after such holder shall have ceased to be in the employ of the Company or a subsidiary. In the event the holder of an option dies while in the employment of the Company or a subsidiary or within three months after his employment has been terminated by the Company or a subsidiary, his option may be exercised in whole or in part prior to the expiration date and within a year after the date of death of the holder, by his estate, or by a person who shall have acquired the right to exercise such option by bequest or inheritance or by reason of the death of the holder.

On December 31, 1969, the following options were outstanding under the Plan:

Options Outstanding					
Year Granted	Number of Shares	Price Per Share		Amount	
		Option	Market	Option	Market
1961	50	\$24.00	\$24.00	\$1,200	\$1,200

No options became exercisable in 1969.

The closing price of shares of the Company's Common Stock on the New York Stock Exchange on December 31, 1969, was \$35¾.

12. LISTING ON OTHER STOCK EXCHANGES

The Common Stock of the Company is listed on the New York Stock Exchange only and no other securities of the Company or the Company's subsidiaries are listed on any other stock exchange.

13. STATUS UNDER SECURITIES ACTS

The Company has never made any filings with or obtained registration, approval, or qualification with, of or from the Ontario Securities Commission or any corresponding body or authority in Canada. The Common Stock of the Company is registered under the United States Securities Exchange Act of 1934.

14. FISCAL YEAR

The fiscal year for the Company is the calendar year.

15. ANNUAL MEETING

The By-Laws of the Company provide that the annual meeting of the Company shall be held on the third Tuesday in October of each year in Tulsa, Oklahoma. The most recent meeting was held on October 21, 1969, at the Company's office in Tulsa, Oklahoma.

16. HEAD AND OTHER OFFICES

Major offices of the Company are as follows:

The principal office is located at 1437 South Boulder Avenue, Tulsa, Oklahoma 74119;

The Northern Division (Exploration and Production) office is located at 1860 Lincoln Street, Denver, Colorado 80203;

The Central Division (Exploration and Production) office is located at 2915 Classen Boulevard, Oklahoma City, Oklahoma 73102;

The Southern Division, Gulf Coast East (Exploration and Production) office is located at Building "L" Oil Center, Lafayette, Louisiana 70501;

The Southern Division, Gulf Coast West (Exploration and Production) office is located at 1938 Houston Natural Gas Building, Houston, Texas 77022;

The El Dorado Refinery is located at El Dorado, Kansas 67042;

The Northern Region—Marketing office is located at 1717 University Avenue, St. Paul, Minnesota 55104;

The Central Region—Marketing office is located at 6000 Douglas Avenue, Des Moines, Iowa 50322;

The East Central Region—Marketing office is located at 2109 East State Boulevard, Fort Wayne, Indiana 46805;

The Southern Region—Marketing office is located at 605 West 47th Street, Kansas City, Missouri 64141.

17. **TRANSFER AGENTS**

The Transfer Agents of the Company are:

The Chase Manhattan Bank N.A., One Chase Manhattan Plaza, New York, New York, 10015.

Canada Permanent Trust Company, 1901 Yonge Street, Toronto, Ontario.

Share certificates are mutually interchangeable.

18. **TRANSFER FEE**

No fee is charged on stock transfer other than customary stock transfer taxes.

19. **REGISTRARS**

The Company's Registrars are:

Manufacturers Hanover Trust Company, 4 New York Plaza, New York, New York 10015.

The Canada Trust Company, 110 Yonge Street, Toronto, Ontario.

20. **AUDITORS**

The auditors of the Company are Arthur Anderson & Co., Certified Public Accountants, Fourth National Bank Building, Tulsa, Oklahoma 74103.

21. **OFFICERS AND DIRECTORS**

Name	Address	Principal Occupation During Past Five Years
Van Bartles	2540 West 90th Street Leawood, Kansas 66206	Assistant Secretary and Director of Credit
H. H. Belew	2955 East 57th Place Tulsa, Oklahoma 74135	Vice President, Manufacturing
Duane A. Bland	4742 South Irvington Tulsa, Oklahoma 74145	Controller; formerly Manager of Accounting, and Supervisor, Reports and Analysis Section
John C. Bumgarner, Jr.	218 East 33rd Place Tulsa, Oklahoma 74105	Assistant Treasurer; formerly Executive Assistant to the Treasurer
L. L. Byars	4320 South Oswego Tulsa, Oklahoma 74145	Vice President, Natural Gas
James H. Conner	1010 East 32nd Place Tulsa, Oklahoma 74105	Assistant Secretary and Supervisor, Income and Franchise Tax Section
Richard J. Dent	2139 South Norfolk Tulsa, Oklahoma 74114	Secretary and General Counsel; formerly Senior Staff Attorney—International and Staff Attorney
James E. Hara	4432 South Atlanta Place Tulsa, Oklahoma 74105	Director and Executive Vice President
James Y. Haslam	2807 East 36th Place Tulsa, Oklahoma 74105	Vice President, Project Development; formerly Vice President Engineering and Construction
C. J. Head	Apt. 8-C, 410 East 57th Street New York, New York 10022	Director of the Company, and Partner of Hecht, Hadfield, Hays & McAlpin, Attorneys at Law
Kenneth E. Hill	109 Golf Edge Westfield, New Jersey 07090	Director of the Company and Partner of Eastman Dillon Union Securities & Company
Jack D. Jones	18 Avon Road Bronxville, New York 10708	Director of the Company and Vice President and General Manager of Eastern Division of Getty; formerly Attorney with the Law Department of Tidewater Oil Company ("Tidewater"); Assistant General Manager of Western Marketing and Manufacturing Division of Tidewater, and Vice President and General Manager of Eastern Division of Tidewater
Charles F. Krug	P.O. Box 3582 Greenville, Delaware 19807	Director of the Company, Vice President and Secretary of Getty
Ernest B. Miller, Jr.	2420 East 32nd Street Tulsa, Oklahoma 74105	President and a Director of the Company; formerly Vice President, Group Vice President and a Director of Tidewater, and Group Vice President and a Director of Getty
W. H. Nichols	3220 South Florence Tulsa, Oklahoma 74105	Vice President, Supply and Transportation
Herbert L. Nunn	6400 West 101 Place Overland Park, Kansas 66212	Assistant Secretary and Administrative Assistant to Vice President, Marketing

Name	Address	Principal Occupation During Past Five Years
Judd H. Oualline	2257 East 48th Street Tulsa, Oklahoma 74105	Vice President, Exploration and Production; formerly Manager of Exploration
Robert Rolston	6211 South Knoxville Tulsa, Oklahoma 74135	Treasurer
Albert C. Samuelson	4622 South Knoxville Tulsa, Oklahoma 74135	Group Vice President; formerly Controller
R. Kendall Sherrill	4624 East 59th Street Tulsa, Oklahoma 74135	Assistant Secretary and Staff Attorney
C. D. Signorelli	155 North Orange Drive Los Angeles, California 90036	Director of the Company and Vice President and Controller of Getty; formerly Controller of Tidewater
W. W. Simpson	2616 East 33rd Place Tulsa, Oklahoma 74105	Director and Group Vice President; formerly Vice President, Exploration
Frank J. Soday	5709 East 61st Court Tulsa, Oklahoma 74135	Vice President, Chemicals
Harold C. Stuart	2930 South Yorktown Tulsa, Oklahoma 74114	Director of the Company; and Member of Doerner, Stuart, Saunders, Daniel and Lagen- kamp, Attorneys at Law
Paul A. Tanner	4100 West 90th Street Shawnee Mission, Kansas 66207	Vice President, Marketing
Paul J. Vaananen	2613 East 57th Place Tulsa, Oklahoma 74105	Group Vice President; formerly Manager of Employee and Public Relations

22.

CERTIFICATE OF COMPANY

Pursuant to a resolution duly passed by the Board of Directors, the Company hereby applies for listing of the above-mentioned shares on The Toronto Stock Exchange and the undersigned officers hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

DATED at Tulsa, Oklahoma, this 7th day of April, 1970.

SKELLY OIL COMPANY



Per: "ALBERT C. SAMUELSON"

Per: "RICHARD J. DENT"

DISTRIBUTION OF COMMON STOCK AS OF FEBRUARY 17, 1970

Number		Shares
686	 Holders of 1 — 24 share lots	8,232
1,413	 " " 25 — 99 " "	87,606
1,209	 " " 100 — 199 " "	181,141
765	 " " 200 — 299 " "	190,485
251	 " " 300 — 399 " "	87,599
117	 " " 400 — 499 " "	52,416
485	 " " 500 — 999 " "	333,265
477	 " " 1000 — up " "	10,955,851
<u>5,403</u>	Shareholders	<u>Total shares 11,896,595</u>